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OCTOBER 14, 2002

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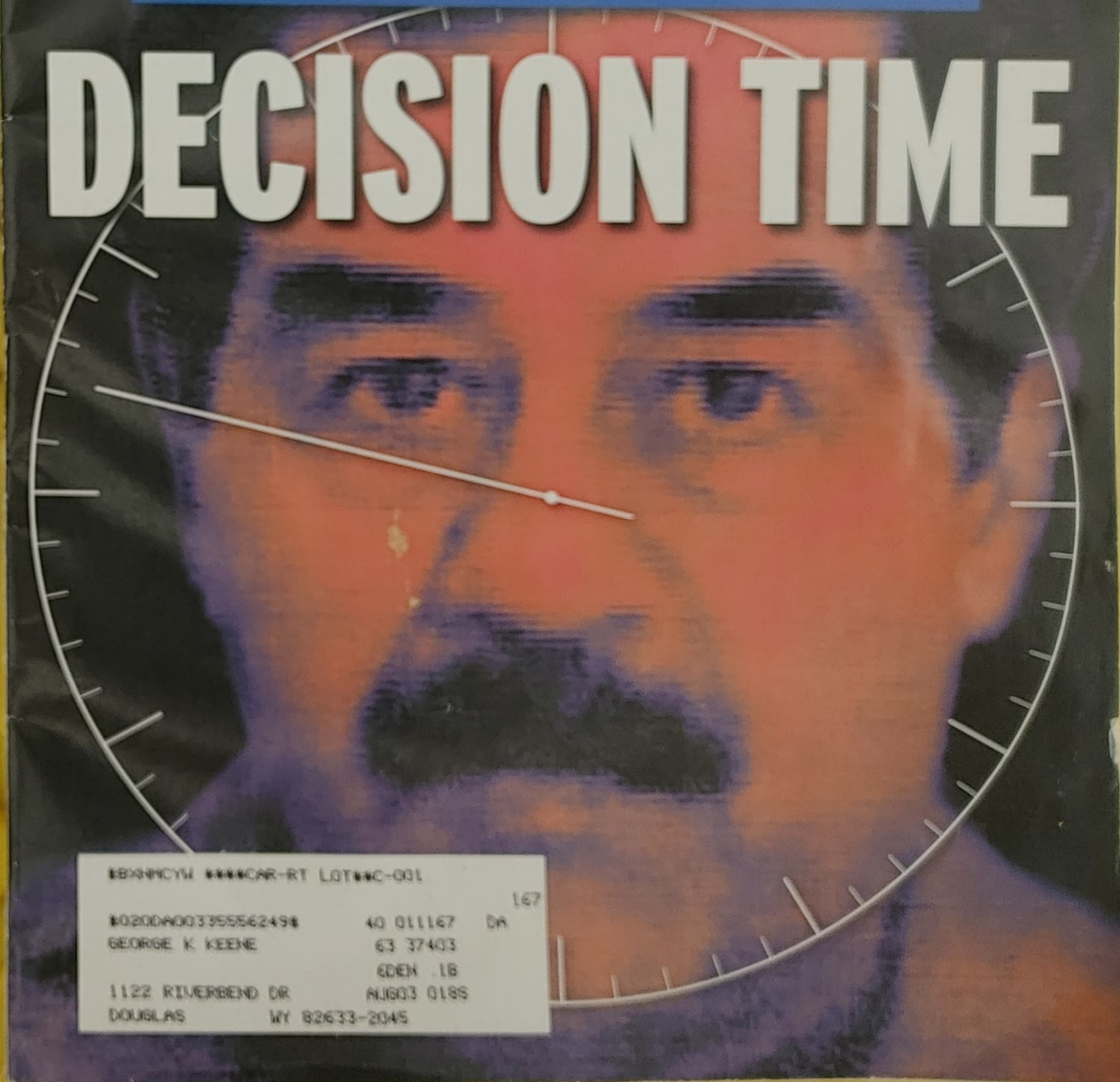

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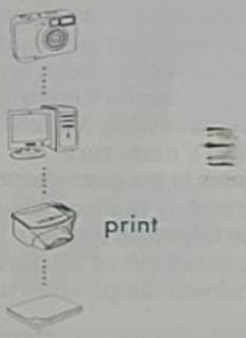

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COVER STORY

Why war? And why now?

President Bush says Saddam is too dangerous to leave in power. But the proof is in the eye of the beholder. By Kevin Whitelaw and Mark Mazzetti

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CLOCKWISE FROM TOP: EVELYN HOCKSTEIN—POLARIS; WALT SENG—NONSTOCK; ILLUSTRATION BY STEVE MCCRACKEN FOR *USN&WR*

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U.S.News & World Report (ISSN 0041-5537) is published weekly with combined issues on January 28, February 25, July 8, August 26, and December 30 by U.S.News & World Report Inc., 450 W. 33rd Street, 11th Floor, New York, NY 10001. Periodicals postage paid at New York, NY, and at additional mailing offices.

POSTMASTERS: Send address changes to U.S.News & World Report, PO Box 421197, Palm Coast, FL 32142-1197. *U.S. News* may allow others to use its mailing list. If you do not want your name included, please contact our Subscription Department by mail or phone.

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U.S.News & World Report uses automatable polywrap.

Printed in the U.S.A.

EDITORIAL OFFICES (202) 955-2000. 1050 Thomas Jefferson Street NW, Washington, DC 20007-3837

ADVERTISING AND CORPORATE OFFICES (212) 716-6800. 450 W. 33rd Street, 11th Floor, New York, NY 10001

SUBSCRIPTION DEPARTMENT (300) 447-6326. PO Box 421197, Palm Coast, FL 32142-1197
usnews@palmcoastd.com

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To receive a copy of our research on the drivers of healthcare costs log onto www.bcbs.com.

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Washington Whispers

BY PAUL BEDARD

A cornfield conspiracy: soaking the news media

It's one brassy move: The Iowa Democratic Party wants news organizations to pony up $65,000 to $250,000 for the list of likely attendees to the 2004 Democratic presidential caucuses, the party-organized event that picks Iowa's winner. Party Chairwoman **Sheila McGuire Riggs** tells us that the first-ever sale of the list will help newsies better predict the winner while paying the freight. "Here's a solution," she says, "to both problems." Her deal: a $250,000 "corporate contribution" to the party's "building fund" for exclusive rights—or $65,000 per organization if nobody buys the list outright. The proposal is giving the media heartburn. "We're always looking for good data," says one network exec, "but we shouldn't have to pay." Democratic candidates, who pay $65,000 for the must-have list, feel the media's pain. "They think," says an aide to one Dem, "that it's their God-given right to soak every contender." The Iowa GOP shares its list only with candidates, at $10,000 a pop. The Brookings Institution's political pasha **Stephen Hess** says paying for news violates every press principle. His idea? Charge Democrats for news coverage of the caucus.

Nice talk

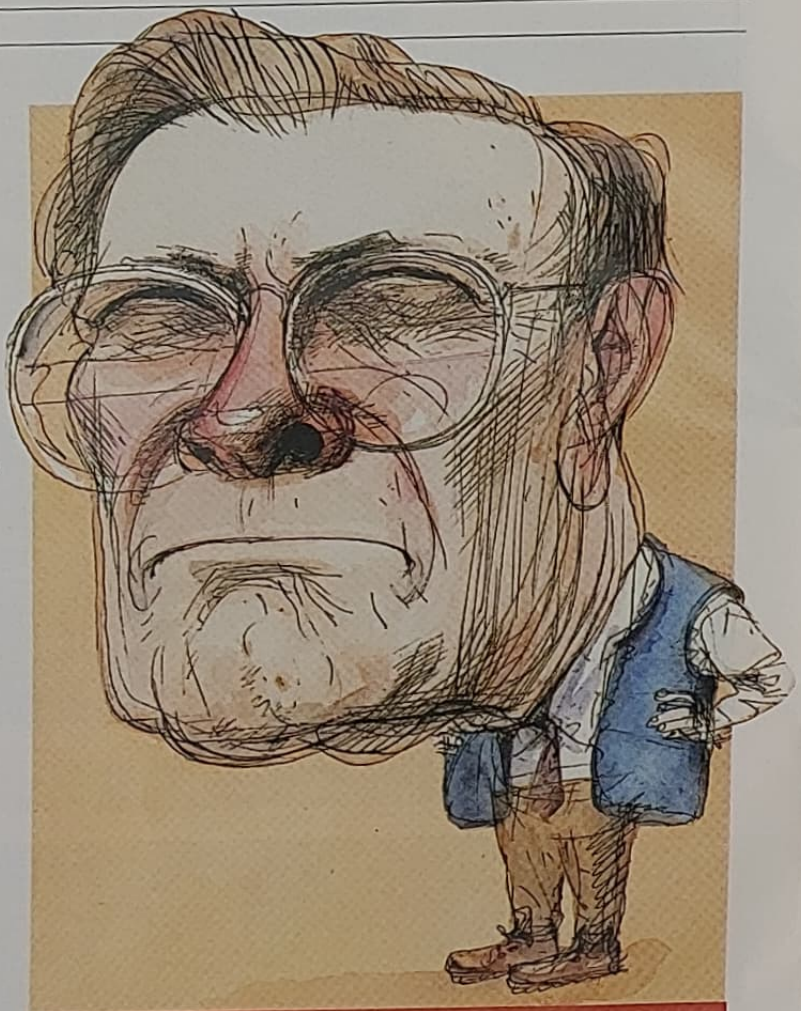
Think back: It's election night, Florida's chads are hanging, and tempers are frayed. **Al Gore** picks up the phone and withdraws his concession to **George W. Bush**. In a new book, Gore's running mate, Sen. **Joe Lieberman**, recalls the awkward moment. According to a few pages from a proof of *An Amazing Adventure*, Gore deadpanned that Bush didn't take the news well. After a pause, Lieberman mimics a line Bush uttered earlier in the campaign when referring to *New York Times* reporter **Adam Clymer**. "He's a major-league ass----." Laughing, Gore repeats **Dick Cheney**'s reaction to Bush: "Oh, yeah, big time."

Extra credit

Republicans say they've got one more reason to call the National Education Association an arm of the Democrats. On the NEA Web site, there's praise for TV **President Bartlet** of *West Wing*, who called for more school funding in last week's installment. The problem, says the GOP, is that the real president, **George W. Bush**, should get credit for boosting school funding. "It's not just American kids who watch too much TV," says a GOP official. "Apparently, grown-up Washington education lobbyists do, too." More than politics ties the NEA to the liberal Bartlet. The union provided its logo for the *West Wing* banner used to frame Bartlet and hosted parties to cheer the NEA reference. The banner now hangs in the NEA Washington HQ as a prop for political meetings.

Off the cuff

Sen. **John McCain** continues to play the maverick. Just last Friday he predicted that Republicans would win back the Senate but lose the House in the fall elections. Speaking at a think tank lun-



The Rumsfeld look: logo free

With Defense Secretary **Donald Rumsfeld**, what you see is what you get, like it or not. He's a blunt taskmaster: Got a problem with that, hit the road. He makes his own rules: Break 'em at your peril. And for this Bushie who epitomizes self-confidence, he could absolutely not care less what you think of the Rumsfeld look, a sometimes geeky Brooks Brothers-Cabelas combo of finely tailored, pinstriped suits and clunky walking shoes. But people do. And they're even trying to copy the Rumsfeld look, be it his rimless trifocals, fleece vests, or walking shoes. Take his glasses. Several Washington-area optical stores say they're the hot item. Even Pentagon spokeswoman **Torie Clarke** has noticed. "I've seen people," she tells us, "now wearing 'Rumsfeld glasses.' It's hilarious." But don't ask for the frame brand name. The SecDef doesn't do endorsements. He even shelved a favorite fleece because the maker's name (Patagonia) was on it and cut the label from his (Mephisto) shoes with a penknife.

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MARSHALL RAMSEY / COPLEY NEWS SERVICE / THE CLARION-LEDGER

cheon, he explained that senators get judged "on their qualities." But the House majority could get hit with an anti-incumbent wave because voters are mad about the weak economy and corporate crooks going free. He held out Securities and Exchange Commission Chairman **Harvey Pitt** for special ridicule, calling him "totally unqualified" and cited several alleged ethical lapses.

Author, author

So if he's still undecided about running for president in 2004 and isn't doing much fundraising for House and Senate candidates, why the heck is **Al Gore** making all those bash-Bush speeches? Top Democratic officials sneer that he's just trying to keep interest in Al Gore Inc. high so that readers will buy his two new books.

Party favors

He spends his days on the phone wooing fat cats, but Democratic Party boss **Terry McAuliffe** still has an eye out for the little guy. Want proof? He's asking state Democratic parties to give leftovers from election night shindigs to the homeless.

Blood money

K Street lobbyists are buzzing that Saudi Arabia's high-priced PR campaign to get on the administration's good side despite its terrorist ties and initial rebuff of Washington's request for help in the war has cost $1 million or more. Some of the kingdom's critics in the Republican Party say they're collecting a "blacklist" of lobbyists, publicists, and lawmakers who take the money.

Winston's smokin'

The hot pollster in Republican circles is the Winston Group. They're the hired guns for the House Republican Caucus but are also getting face time at the White House and Senate Republican leadership offices. Why? Besides giving good info on education and pension issues, **David Winston**'s crew has broken the old rules of etiquette and attacked polls done by Democratic rivals.

Harvard bound

Dan Glickman has made it to Harvard. Finally. But not the way the former Kansas congressman and Clinton agriculture boss had planned. "Maybe it was because I was a Kansan," he E-mails us from Cambridge, Mass. "Of course, it had nothing to do with my less-than-stellar academic performance as a very young man." Kidding aside, he's been named the new director of the Institute of Politics at Harvard.

Idle chatter

Another sign that **President Bush**'s White House differs from **President Clinton**'s: Aides are told not to bother the boss with idle chat about policy. "He hates it," says an insider, "when people go up to him and talk policy, like they're trying to impress him." Instead, jabber about sports or his dogs.

With Jodie T. Allen, Suzi Parker, and Mary Lord

Read the Iowa Democratic Party's sales pitch to the media: usnews.com/whispers

In Quotes

"I've gained so much weight I couldn't get it off."

AL GORE, *on why he doesn't wear his wedding ring*

"People can be weird and not be traitors."

NEWT GINGRICH, *ex-GOP House speaker, on antiwar lawmakers*

"He needs to come home and keep his mouth shut."

SENATE MINORITY LEADER TRENT LOTT, *on antiwar Rep. Jim McDermott's trip to Iraq*

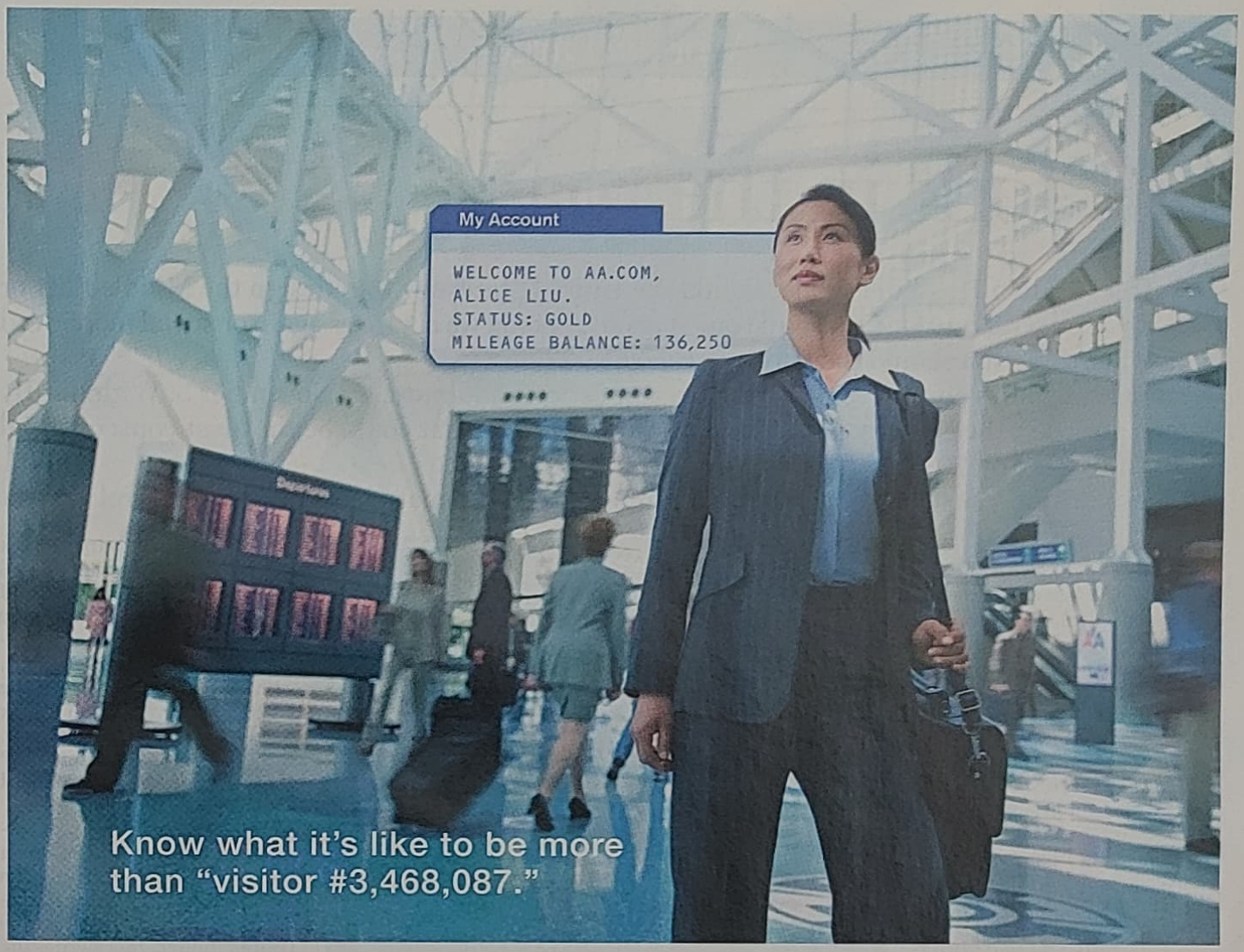
"I would take Bill Clinton's intelligence. I think he was the brightest president of the 20th century."

MARTIN SHEEN, *the politically active actor who plays the president on West Wing*

"I'm only on the bench tonight if the Yankees need me."

RUDOLPH GIULIANI, *ex-New York mayor, showing no interest in replacing Vice President Cheney*

Sources: Chicago Sun-Times; Fox News Channel; Lott statement; PBS; CNN



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The fork in the road

After Saddam Hussein is gone, should the United States try to redesign the Middle East or proceed with caution? To rebuild our economy, should we cut taxes again or spend more? And what direction should the Supreme Court take?

American voters could decide all of these questions and more on November 5. With hardly anyone noticing, the country is barreling toward elections that could be the most consequential midterms in nearly 70 years.

Everyone knows a shift of only one seat would place the Senate in Republican control while a shift of only six would give Democrats a majority in the House. What's less recognized is how much is at stake. If the elections were held today, most psephologists—that's a fancy name we political junkies sometimes give ourselves—believe the Republicans would regain the Senate and enlarge their hold on the House. If so, it would be the realization of a lifelong dream for many on the right.

Democrats Joe Lieberman and Tom Daschle, making their case

The November elections will be about fundamental change.

Only twice since the days of Hoover have Republicans controlled the presidency and the Congress at the same time. Both were brief (1953-54 and 2001), and neither brought much change. This year, a Republican sweep may be more like 1934, the last time a president's party gained both Senate and House seats in his first midterm elections. The result was FDR's second New Deal. Republicans have waited decades for a moment like this.

Of course, the tide could change. If voters restore Democratic control of Congress, those on the left will argue that the nation wants them to put a brake on conservative plans. Even a tie would hearten them. They will then spend the next two years blocking the president on many fronts, giving him a little leeway on others, while both sides prepare for a fight to the finish in 2004.

Two different outcomes—and possibly two very different paths for the country. The question is, Which do you prefer?

On the home front. Ordinarily, the sharpest differences between the parties are on domestic issues, and the differences are sharp now. If conservatives gain full command, they will almost certainly work to make recent tax cuts permanent. They'll launch efforts to overhaul the tax system, put more conservatives like Antonin Scalia on the bench, unleash energy companies, move Medicare toward a free-market system, expand vouchers for education, and mobilize more volunteers as an answer to social ills. The Democrats so far don't have a serious counteragenda and probably won't until Mr. Democrat emerges as the next nominee of the party for the White House. That's why they will mostly try to block Bush on domestic initiatives.

But it is in the international arena where the most dramatic differences will be seen. Washington insiders suspect that, with support of both parties, the White House will soon knock Saddam Hussein out of power. But what happens after that? On that issue, the parties could well be far apart.

Among conservatives, conversation is turning toward a much more ambitious agenda. Some see an overthrow of Iraq as opening a historic opportunity for the United States to rewrite the geopolitics of the Middle East. Once a U.S.-friendly regime is in place in Baghdad, the thinking goes, America will gain substantial influence over the second-largest supply of oil in the world. That would lessen U.S. reliance upon Saudi oil. In turn, Washington could begin pushing democratization and moderation not just in Iraq but in countries like Saudi Arabia, Egypt, and Iran. In recent days, there have even been hints coming from sources tied to the Pentagon that, militarily, the regimes in Iran and Syria could be next on America's list after Iraq. To rewrite the face of the Middle East, advocates say, could bring a flowering of Arab nations, protect key American interests in the region, and curtail the danger of terrorism.

Of course, such thinking may seem fanciful, even ludicrous. It strikes many as the makings of an American empire that, by tradition, we have neither wanted nor could handle. After all, America has its hands full now just trying to solve the problems of Saddam and Osama bin Laden. Still, those who have changed the world in the past—for ill but sometimes for better—have been the visionaries, those who dared to dream bold thoughts.

So, the elections in November could open new doors—or they could keep them closed. What direction should the nation take? What direction would you like to see us go? We at *U.S. News* welcome your views. Please write us at *letters@usnews.com*. *–David Gergen*

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U.S. News: The Most Credible Newsweekly

A July study from
the Pew Research Center for the People & the Press*
rates U.S. News as the most credible newsweekly.

Today, in a cluttered media world with a short attention span, credibility is more valuable than ever. And it has to be earned.

*The Pew Center, an independent opinion research group that studies attitudes toward the press, politics and public policy issues, is well known for regular national surveys that measure public attentiveness to major news stories.

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College options abound

ALTHOUGH THE OVERALL PRESTIGE OF COLLEGES varies considerably, the quality of particular departments is not always consistent with the school's overall ratings ["America's Best Colleges," September 23]. Many smaller and less expensive schools can offer undergraduates a very good education for a fraction of the cost. There are other cost options for parents to consider. Insist that children complete their degrees in the shortest possible time, have a clearer idea of what they want to study, and seek an inexpensive school with a good faculty and curriculum in that field. Live (and eat) at home, forgo amenities like a car, purchase used books when available, or hold a part-time job on or off campus. Many families have done this.

TOM FAGAN
Memphis

"AMERICA'S BEST COLLEGES" might be all well and good for the rich and talented, but most people had better be thinking in terms of a local land-grant college within commuting distance. Lured by inadequate scholarships and other embellishments, I allowed my two children to quickly blow their modest trust funds. Now, 10 to 12 years later, they're still working on career objective after career objective, saddled with increasing debts, forced back home again and to local colleges, to face a little reality. They're not exceptions, by any means.

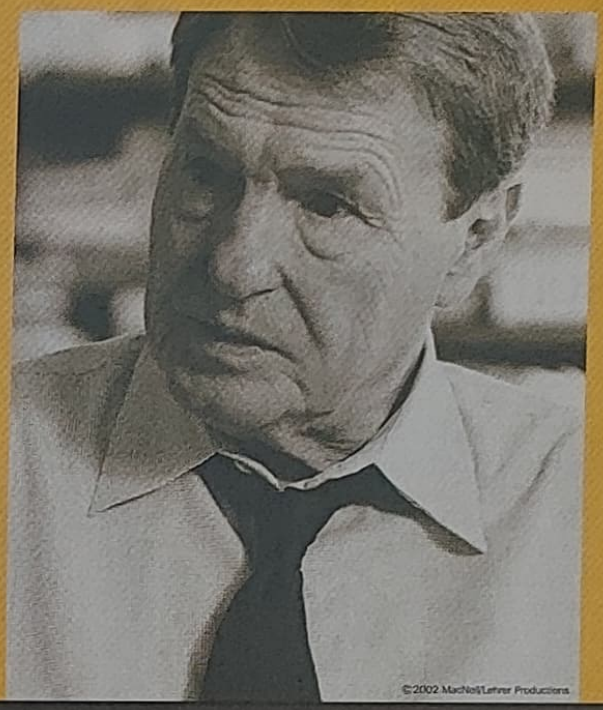
RICHARD S. SCHMIDT
Houston

Shacks and sacrifice

I READ YOUR STORY OF AMERICA'S COLONIAS WITH great interest ["American Dreamers," August 26–September 2] and am glad that the government is finally offering some help to these people. I know, firsthand, how each family works for years to build even a modest home. I am a Houston police officer who travels to these *colonias* every two weeks to help where I can. Many fellow officers and friends provide money and supplies for these people. An even greater story lies less than a few miles from these American *colonias*, in Mexico, where thousands are living in cardboard shacks and saving a few pesos at a time to build their dream homes. It is common for a half-dozen people to live in a one-room cardboard shack, sleeping on dirt floors that turn into mud when it rains. Many work in American-owned factories. Some families have become entrepreneurs. Cardboard barbershops and grocery stores spring up in all the *colonias* so families can save a few more pesos and buy a few more bricks.

ROBERT A. DECKER
Houston

Clarification: In Washington Whispers "Power Couple" [October 7], Pam Olson's title should be assistant treasury secretary for tax policy.



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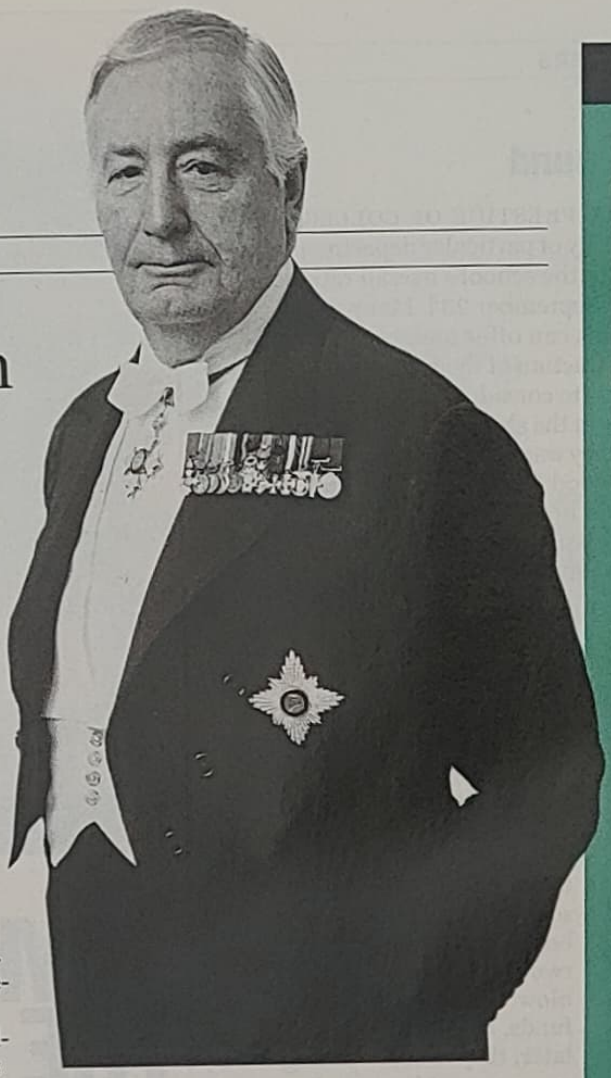


When **Walter Annenberg** died last week of pneumonia at the age of 94, he was the very model of a modern media mogul. Fabulously wealthy (his net worth hovered around $4 billion this year), he was also generous and civic-minded, donating more than $2 billion in cash over the course of his life. The supremely savvy publisher and onetime ambassador to Britain started his career as a high-rolling college dropout. After dodging a tax evasion charge in 1939, he took over Triangle Publications, his father's media company; in 1953 he launched *TV Guide*, now the largest U.S. weekly in print.

But like any good mogul, he amassed enemies with his wealth. "There's no question he was an imperious editor in the really old-style William Randolph Hearst sense," says Christopher Ogden, author of *Legacy: A Biography of Moses and Walter Annenberg*. In the '50s and '60s he used his newspapers and TV stations as a bully pulpit, savaging his enemies—liberals of all stripes—and rewarding his political cronies.

Still, says Ogden, he was among the most charitable men of his time. (His biggest gift was $500 million to improve rural and urban public school districts.) But "if you crossed him, then heaven help you." *–Justin Ewers*

She can't say farewell to Fudge

Thirty years ago, **Judy Blume** *wrote her first "Fudge" book—Fudge ate his big brother Peter's pet turtle in* Tales of a Fourth Grade Nothing. *After two sequels, in 1991, she published* Fudge-a-Mania *and retired the character. But he's back—in* Double Fudge, *fixated on getting rich.*

Why go back to Fudge?
Elliot, my grandson, hounded me. Lovingly hounded me. I told him I would love to if I came up with an idea.

How did you come up with the idea of having Peter and Fudge encounter panda poop?
Elliot and I went on a trip to D.C. At the zoo, we went to the panda house and the [panda keeper] held up this beautiful peeled sweet potato. She wanted us to sniff it and hold it! Then she told us it was panda poop! I loved it so much, I put it in the book.

What would happen if Peter and Fudge had really aged 30 years?
Don't make me play that game! Although a friend told me Fudge would be a creative entrepreneur. And Peter would be the long-suffering older sibling.

What's next for Fudge?
I have no clue. I have to tell you, my husband thinks it's the strangest thing I'm getting interviewed by *U.S. News & World Report.*

It's not that strange. Lots of people like your books.
Adults tell me, "I laughed my head off. Isn't that awful?!" Of course it's not awful. It doesn't matter if a book's written for kids. If it's funny, it's funny. *–Vicky Hallett*

Headliners

MIRACLE #1. The Vatican has agreed with an Indian woman who said she prayed to the late Mother Teresa in 1998 and was cured of a tumor. Beatification could come next year; a second miracle is needed before the "saint of the gutters" becomes official.

MAJOR SIN. Edwina Currie, ex-mistress of Britain's bland 1990s prime minister, John Major, has told all—and adds that he was a bad politician. Media verdict: "trollop." But London's *Independent* credited her for "speaking up for sad, brave adulterers everywhere."

SHADOW MAN. Bruce Paltrow, who died last week at 58, found it "thrilling" to be known as Gwyneth's dad. TV fans fondly recall the two series he produced: *The White Shadow* and *St. Elsewhere.*

CLOCKWISE FROM TOP RIGHT: GIANNI FOGGIA—AP; JIM SPELLMAN—WIREIMAGE; ALISON SHAW

Top of the Week

BY LISA STEIN

DAVID BUTOW—CORBIS SABA FOR USN&WR (2)

All quiet on the western waterfront

LOS ANGELES—Finally, a break in the labor standoff that has turned the West Coast's ports into a watery version of a Los Angeles freeway at rush hour and stopped the flow of billions of dollars' worth of cargo. Feuding shippers and dockworkers have paralyzed 29 ports from San Diego to Seattle, costing an estimated $1 billion a day in lost wages and sales, and forcing some factories to shut down for lack of parts. The good news: The International Longshore and Warehouse Union and the Pacific Maritime Association late last week began mediation—a crucial first step toward ending the first extended port shutdown since 1971. At issue: Who controls jobs—workers who track and unload freight or the shipping lines that pay them? Shippers want to use computerized systems to track cargo; longshoremen, who make $80,000 plus a year, want guarantees that jobs created by high-tech changes will be unionized.

And if the two sides can't agree? President Bush says he'll order everyone back to work for a cooling-off period. *–Betsy Streisand*

A dockworker pickets at the Port of Los Angeles, where cargo piled up during a dispute between shippers and his union.

CRIME

Murder most foul

The shots were as efficient as they were deadly. During 16 terrifying hours last week, a roving sniper killed at least five people in usually placid Montgomery County, Md., just outside the nation's capital. The murders were random, yet calculated, each victim cut down with a single shot from a high-powered rifle. All occurred in busy shopping areas, but the only early lead came from vague descriptions of a white delivery truck speeding off. "It took me a while to even know he was shot," says Alex Millhouse, a mechanic beginning his shift when he saw cabby Premkumar Walekar, 54, collapse by a gas pump. But after September 11, one thing people did know was how to go into lockdown mode. Immediately. Area schools declared "Code Blue," a program to keep kids inside and visitors out. "Ironically, we'd just practiced it yesterday," said Sandy Walker, principal of Rock Creek Forest Elementary School.

• *As police searched for a killer, families of the victims prepared for funerals.*

FARNOOD—SIPA

CRIME AND PUNISHMENT. Payam Amini (left) and Amir Karbalaei were hanged last week before huge crowds in Tehran, Iran, for abducting, raping, and robbing women there.

TERRORISM

G-man, grilled

He was once touted as a star, the crime-busting New York prosecutor come to work his magic chasing spies and international hoods. But ex-FBI Director Louis Freeh, 51, can expect a drubbing when he testifies at congressional 9/11 hearings Tuesday. Last week, more unsettling info spilled out about failures of the feds to coordinate, including that immigration agents weren't told that finding two 9/11 hijackers was a top priority.

• *Five men and a woman were charged in Oregon last week with supporting al Qaeda.*

'I'm an enemy...'

Accused shoe bomber Richard Reid, 29, pleaded guilty last week to charges that he tried to blow up a trans-Atlantic flight. "Basically, I got on the plane with a bomb. Basically, I tried to ignite it. Basically, yeah, I intended to damage the plane," the former petty street thug said in federal court. "I'm a follower of Osama bin Laden. I'm an enemy of your country." Passengers tackled the 6-foot-4 Reid after a flight attendant spotted him trying to set his sneakers on fire.

• *Sentencing is set for January 8. Prosecutors will recommend 60 years to life.*

HEALTH

Genes on tape

Ever have a hankering to see your entire genetic makeup? You're in luck. A scientist who led efforts to decipher human DNA hopes to one day burn yours onto CDs. Of course, it'll cost—about $500,000, says Craig Venter, who says he has lined up some wealthy clients to help jump-start the project. His goal: to one day slice the price to $1,000 and have insurance cover the bill so doctors can stock CDs on all patients, showing their genetic predispositions for certain types of disease.

• *Just FYI: Don't expect the tab to drop that low for years.*

URBAN AFFAIRS

Shhhh...

Now here's a surefire winner: trying to force New Yorkers to put a cork in it. "This is to ensure that New York City is the city that never sleeps by choice, and not by compulsion," said Mayor Michael Bloomberg, announcing the start of a program last week to make Big Apple denizens hush up. Operation Silent Night calls for cops to crack down on booming bars, cars, motorcycles, and other noisemakers. Why now? Seems noise is the No. 1 beef of callers to a city hotline. Police are targeting two dozen notoriously loud neighborhoods, including Manhattan's East and West Villages. Offenders will be ticketed, their radios and CD players seized.

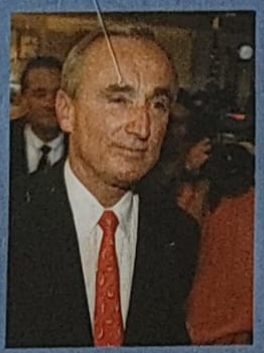
• *Mind you, the city has tried this before: Then Mayor Rudolph Giuliani announced a similar effort two years ago. Perhaps you heard?*

Forward Spin

CAR TALK Coming soon—a device that alerts you via E-mail, pager, or telephone when your car's being stolen. LoJack, the car-theft warning folks, last week unveiled a new motion-sensor device that sends owners a message if their vehicle moves without being cleared by a special key pass. Price tag: $795 plus a one-time $250 fee and $9.95 a month. One question: What if your car sends an SOS E-mail when you're, say, sleeping?

THE SUPREMES The Supreme Court opens its new term this week. Topping its agenda: sex-offender-registration laws and three-strikes statutes.

L.A. LAW One of the nation's most high-profile cops has been tapped to head Los Angeles's scandal-scarred police department. William Bratton, 54, rose to fame as New York City's police commissioner from 1994 to 1996; crime plummeted on his watch, but he resigned after repeated clashes with then Mayor Rudolph Giuliani. In L.A., he takes on a force that faces rising crime, low morale, and an officer shortage.



William Bratton

CHRIS PIZZELO—AP

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community center
to
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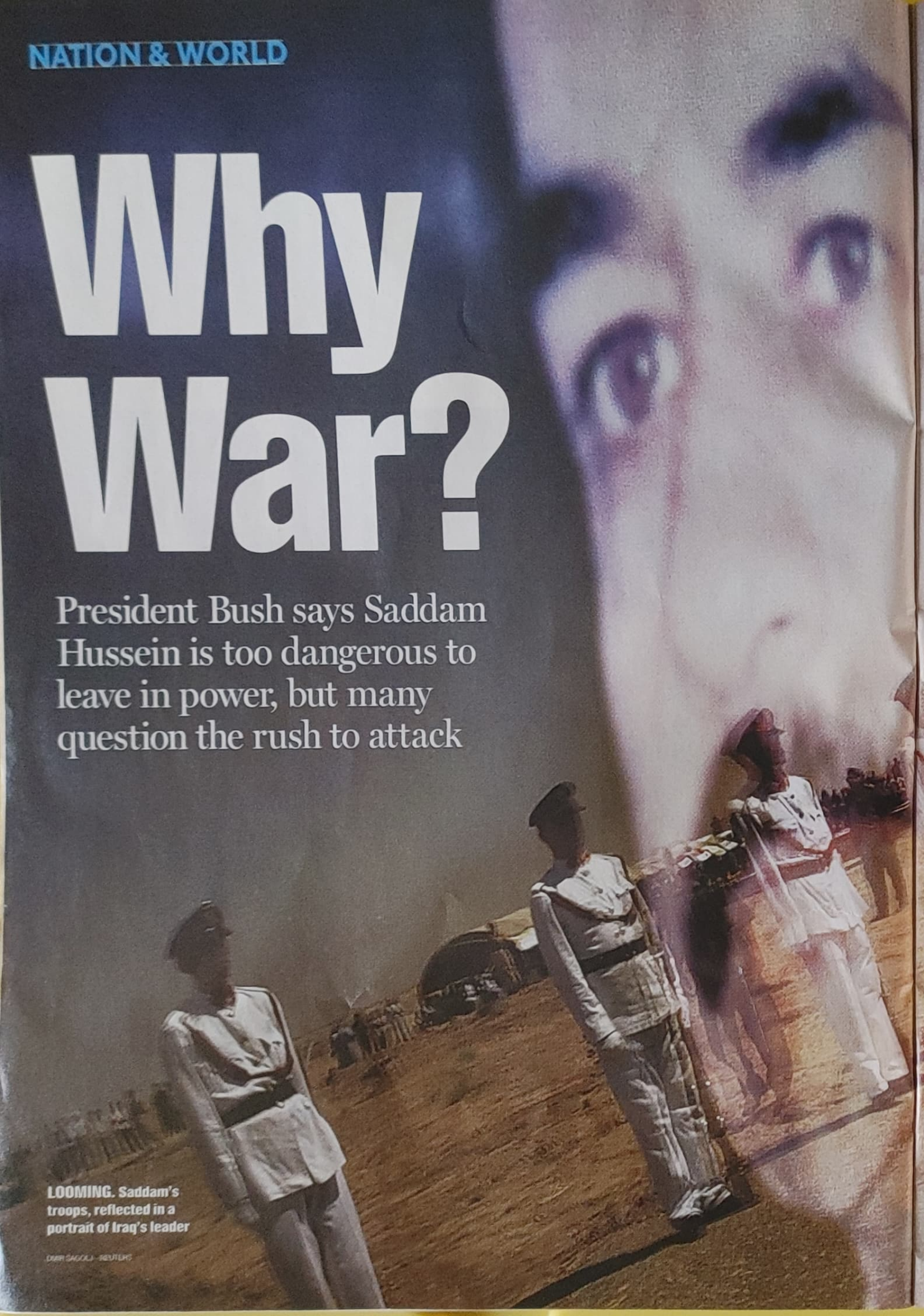
Why War?

President Bush says Saddam Hussein is too dangerous to leave in power, but many question the rush to attack



LOOMING. Saddam's troops, reflected in a portrait of Iraq's leader

DAER SAGOLJ - REUTERS

BY KEVIN WHITELAW AND MARK MAZZETTI

Two months before Iraq invaded Kuwait in August of 1990, *U.S. News* labeled Saddam Hussein "the most dangerous man in the world." At the time, the United States knew that he had a massive military machine—the largest army in the Middle East—grand regional ambitions, and vast stores of chemical munitions. He was spending billions on a program to develop biological and nuclear arms and exotic long-range-delivery systems. As it turned out, Saddam was even stronger than anyone knew. After the American-led coalition's swift victory in the Gulf War, it took weapons inspectors an additional four years to uncover the extent of Iraq's biological weapons program. They also found that Saddam was just a year away from reaching his holy grail: a nuclear bomb.

Now, 11 years later, Washington once again is contemplating war with Baghdad. But is Saddam *still* the biggest bad guy on the planet? Twelve years of economic sanctions have crippled his economy. His army is poorly trained and equipped, his air force virtually nonexistent. But Saddam continues his obsessive quest for chemical, biological, and nuclear weapons, and many believe he is ruthless enough to use them. Since the September 11 attacks, aides to President Bush fear that Saddam might conspire with terrorists to deliver a new blow against the United States. "Our view is that the regime must be disarmed or destroyed," Deputy Secretary of State Richard Armitage tells *U.S. News*. "The unrelenting drive to possess weapons of mass destruction brings about the inevitability that they will be used against us or our interests."

For the strongest proponents of war, removing Saddam isn't just about his weapons. Saddam, they point out, is a man who stocks his library with books on Stalin, supports Palestinian terrorists, and imagines himself as a messianic leader, the sword of the Arabs. Ridding the Middle East of Saddam, the White House believes, could transform the entire region. So, this week, Congress is again poised to give a president named Bush the sweeping authority to go to war. Still, the passion of the Senate debate suggests the depths of ambivalence over how much of a threat Saddam really poses—and about the risks of war.

Guessing game. The administration's argument for war rests more on its judgment about Saddam's intentions than on hard evidence of advances in his military capabilities. Bush is not possessed of the kind of indisputable evidence that presidents have used to justify past wars. There are no photos of Iraqi troops occupying Kuwait. There isn't the equivalent of the U-2 surveillance photos that revealed Soviet missiles in Cuba in 1962. The administration may still offer new information as the president and his senior advisers make the case this week for the use of force against Iraq. But nearly a dozen intelligence officials throughout the U.S. government tell *U.S. News* that they know of no new secret information that would suggest Saddam is on the threshold of a major breakthrough such as acquiring a nuclear weapon. Says a senior administration official: "This is not hinged on any imminent threat of an Iraqi deployment of weapons of mass destruction."

What *has* changed, apparently, is not the threat from Iraq but

Saddam's workshop

Despite U.N. sanctions imposed after the Gulf War, Iraq has continued covert programs to build nuclear, chemical, and biological weapons. Saddam's armed forces are half their former size, yet war planners are most concerned about the 30,000 troops of the Special Republican Guard that protect his regime in Baghdad.

SYRIA

JORDAN

Southern no-fly zone

Iraq's Arsenal

	NUCLEAR	BIOLOGICAL
THEN	Only after the Gulf War did the extent of Iraq's nuclear program become known. Weapons inspectors found that Iraq was within one year of being able to produce two **nuclear bombs** annually.	Iraq declared 123,000 gallons of **anthrax** and **botulinum toxin** to UNSCOM inspectors, and 581 gallons of **aflatoxin**. Experts believe the stockpiles were larger and fear Iraq may have a **smallpox** program.
NOW	The war and U.N. inspectors destroyed much of Iraq's nuclear capability, yet Saddam never ceased his covert effort to build a **nuclear bomb**. He lacks only the **highly enriched uranium** to fuel the weapon.	Iraq retains thousands of gallons of **anthrax** from its pre-1991 stock and may have produced thousands of gallons of **anthrax** and **botulinum toxin** since 1998.

Sources: Central Intelligence Agency, International Institute for Strategic Studies, Carnegie Endowment for International Peace, staff reporting. Iraq image from Jacques Descloitres, MODIS Land Rapid Response Team at NASA / GSFC.

TURKEY

Mosul

Irbil

Northern no-fly zone

Baiji

Tikrit

Anah

Tharthar Lake

Euphrates River

Baghdad

Badrah

Razzaza Lake

Karbala

Tigris River

IRAN

Al Amarah

Euphrates River

Basra

0 50 MILES

Persian Gulf

KUWAIT

Iraq's Conventional Forces

Armed forces	**Special Republican Guard**
1991 1,000,000	1991 15,000
2002 424,000	2002 30,000
Republican Guard	**Tanks**
1991 150,000	1991 5,500
2002 80,000	2002 2,200
Armored vehicles	**Major artillery systems**
1991 6,000	1991 3,700
2002 3,700	2002 2,400
Scud missiles	**Combat aircraft**
1991 200–300	1991 800
2002 20–40	2002 300

Sources: Center for Strategic and International Studies, International Institute for Strategic Studies, staff reporting

CHEMICAL

Iraq declared 4 metric tons of **VX gas** and 100 to 150 tons of **sarin** to UNSCOM inspectors. It retained enough precursor materials to make hundreds of tons of the **chemical** agents.

According to a new CIA report, Iraq has most likely hidden several hundred tons of **mustard gas** and precursor materials for several hundred tons of **sarin** and **VX gas**.

BALLISTIC MISSILES

Iraq had an arsenal of several hundred medium-range **Scud missiles**. It fired roughly 90 Scuds during the Gulf War, but many were wildly inaccurate and none were loaded with **chemical** or **biological** agents.

Intelligence officials believe Iraq has two to three dozen leftover **Scud missiles**. Saddam is also building missiles that extend beyond the 150-kilometer limits mandated by the United Nations.

MAP BY STEPHEN ROUNTREE—USNWR
WRITTEN BY MARK MAZZETTI AND KEVIN WHITELAW

SEAT OF POWER. Saddam, who American officials believe still seeks to obtain a nuclear weapon, visits with an Iraqi family.

America's tolerance of it in the wake of 9/11. Much of the rest of the world, however, doesn't see Saddam as a clear and present danger, and Bush is having trouble convincing skeptical leaders that the risk of leaving Saddam to his own devices is so great that war is the only alternative.

One reason for the doubts is that the picture of Saddam's military might is incomplete. The threat assessment rests on judgments about what he might be able to do in the future. U.S. intelligence can do little more than guess when, and even whether, Saddam could develop a nuclear weapon. The received wisdom among several intelligence services is that, barring Saddam's ability to buy enough fissile material on the black market, Iraq's scientists would need several years before they could develop and deploy a homegrown nuclear device. "If left unchecked," says a new 25-page report released by the CIA late last week, "it probably will have a nuclear weapon during this decade."

Power base. That assessment hasn't changed in several years. At a closed-door hearing last month of the Senate Intelligence Committee, Chairman Bob Graham, a Florida Democrat, asked top intelligence officials whether there was any new information in the past six months about an increased or more urgent threat from Baghdad. Their answer, Graham says, was "not much."

There's another hitch. The U.S. intelligence community can't predict what forces a war might unleash. "We're looking at risks in acting now and risks in not acting now," says Gary Milhollin, who tracks Iraqi weapons for the Wisconsin Project on Nuclear Arms Control.

What *is* known is that Saddam's power base is Iraq's brutal internal security organizations. His Special Republican Guard force of some 30,000 remains fanatically loyal and would pose a tough military challenge, especially in a scenario involving urban warfare in downtown Baghdad. Saddam's other stronghold is Iraq's underground scientific community, which Western intelligence agencies say is working harder than ever to build more weapons of mass destruction. U.S. intelligence services also have clear evidence that Iraq's global efforts to acquire components for weapons of mass destruction haven't slowed appreciably (story, Page 26).

Beyond that, the particulars of his arsenal remain a mystery. Ever since U.N. weapons inspectors left Iraq in 1998, the United States has been forced to track Saddam's weapons program with imagery taken from spy satellites and from aircraft flying over Iraqi territory. Those were the same techniques used in the years before the Gulf War, and they missed the mark by a mile when it came to judging the progress of Saddam's quest for the world's most dangerous weapons. Administration hawks suspect today's intelligence estimates are not much better. "When people say, 'Why now?' they imply that somehow it will be better later," Deputy Defense Secretary Paul Wolfowitz tells *U.S. News*. "We don't know when it will be too late with Saddam, and he's dangerous already."

A surprising amount of the intelligence-gathering involves guesswork. Without inspectors on the ground, the CIA and the Pentagon train satellites on so-called dual-use facilities around Iraq to assess whether the plants might be producing chemical or biological weapons. One intelligence official describes the method this way: "We know where his fertilizer plants are and can judge how much fertilizer is actually needed for Iraqi agriculture. If there are more trucks going in and out of the plant than are needed for fertilizer production and distribution, you begin to ask yourself, 'What, exactly, are they producing?' "

Any judgment about Saddam's current arsenal starts with what U.N. inspectors were able to learn about what he had at the end of the Gulf War. From there, intelligence officials subtract the large amounts destroyed by inspectors, then add back their projections of what Iraq might have been able to build clandestinely since. Not surprisingly, the result is a series of wide-ranging estimates. "Either Saddam is a threat now or he's not and

COKSUN—SIPA

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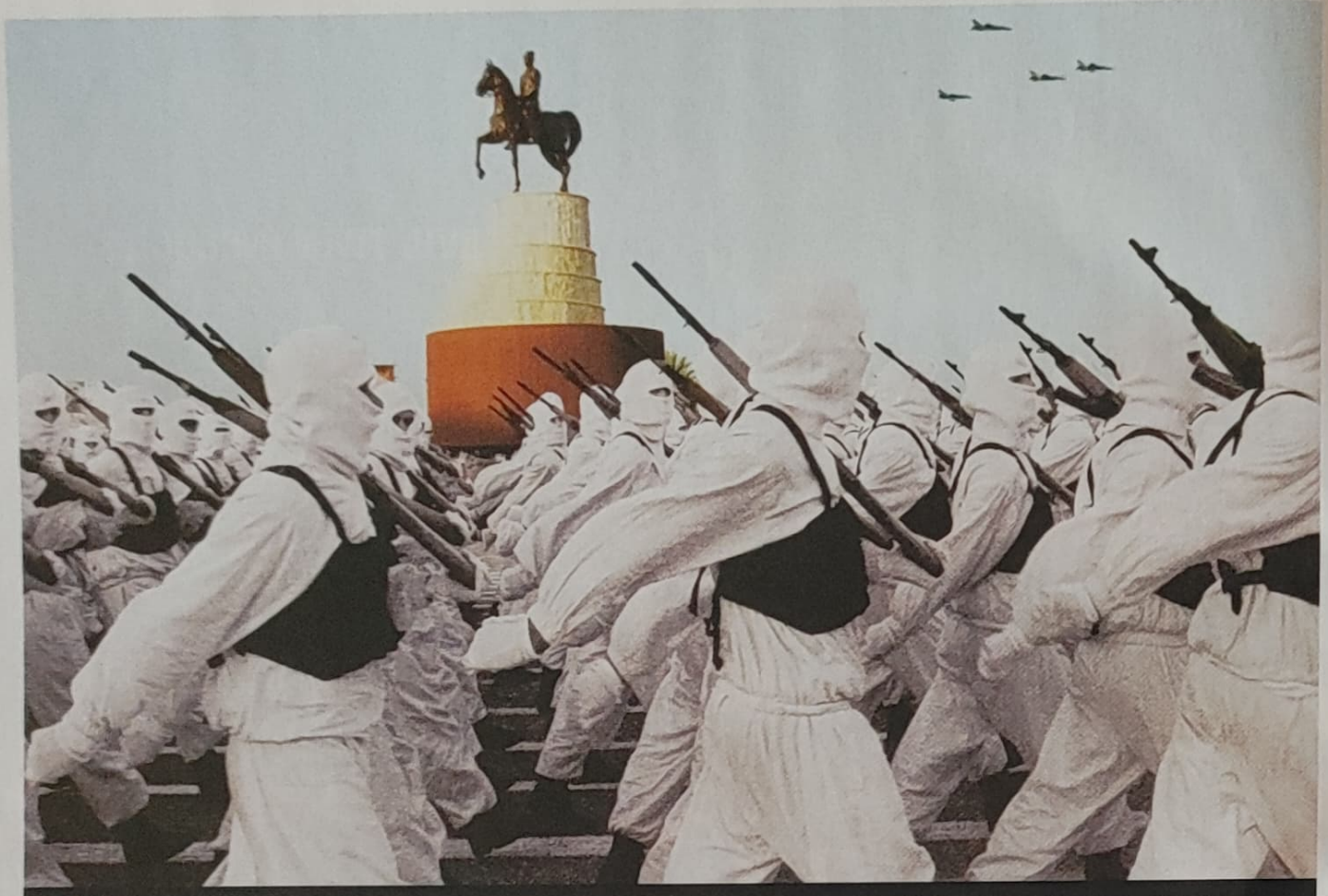
JASSIM MOHAMMED—AP



MARCH. Eleven years after its defeat, Iraq's military may not be as powerful as it was, but its Republican Guard remains strong.

our intelligence agencies, at $30 billion a year, should be able to tell us that," says Milhollin. "They're not, so we have to act on assumptions."

Iraq's chemical weapons program is best understood—but it's also the least threatening because chemical agents are chiefly a battlefield weapon that U.S. troops are equipped to deal with. Iraq liberally fired artillery shells filled with mustard gas, sarin, and other nerve agents in its eight-year war against Iran. And Saddam proved his brutality by turning the same weapons on his own Kurdish population in 1988.

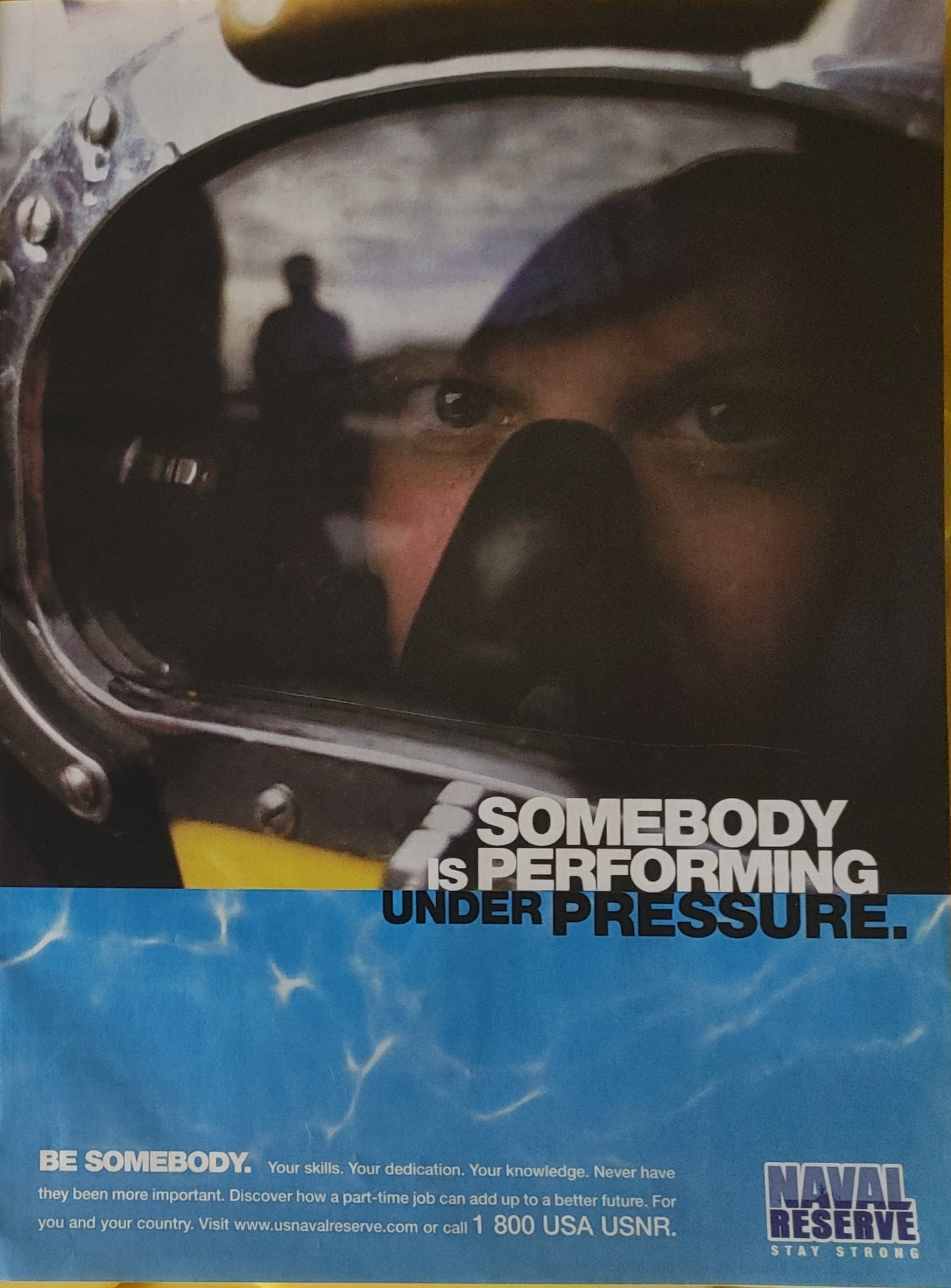
Iraq's biological arsenal is more worrisome. Saddam produced a range of agents from anthrax to botulinum toxin, one of the deadliest known substances. As weapons of terror, these agents are easy to make and could kill thousands. But biological weapons are very difficult to wield, and intelligence officials are split over the quality of Saddam's technology to deliver them. U.N. inspectors believe that before the Gulf War, Saddam fielded biological agents in warheads on long-range missiles. But these systems were primitive, and most of the deadly agent would have burned up on impact. Though Iraq has continued its missile research over the years, it is unclear whether there's been much progress.

Iraq's missiles can carry chemical, biological, or conventional armaments. Saddam is believed to have just a few dozen long-range Scud missiles of questionable accuracy left over from the Gulf War that could threaten either U.S. forces in the region or Israel. "One good thing is that his current means of delivery are degraded," says a senior administration official. Iraq is working on extending the reach of its short-range missiles beyond what the U.N. allows. In addition, Iraq has been testing devices like drone airplanes, new artillery shells, and airborne sprays—what the Pentagon calls "Saddam's science projects"—to better disperse deadly agents. In particular, the CIA reports that Iraq has modified a Czech-built L-29 unmanned aerial vehicle. Such a weapon might have little use in a battlefield scenario, however, given superior U.S. ability to shoot down slow, low-flying aircraft.

The real fear is that Saddam might acquire a nuclear weapon. Iraqi scientists have the know-how to build a bomb; they lack only the enriched uranium—the nuclear fuel—which is the biggest stumbling block for any program. A British report last month on Saddam's capabilities judged that sanctions had so far stymied his efforts. "While sanctions remain effective," the report said, "Iraq would not be able to produce a nuclear weapon." But that sanctions regime, put in place after the Gulf War, has been disintegrating, and a thriving smuggling trade provides Saddam with new opportunities.

Shop till you drop. If Saddam managed to obtain enriched uranium on the black market, the CIA estimates it would take him less than a year to build a bomb. But obtaining that fuel isn't easy, and after more than two decades of shopping, Iraq has not found what it is after. Failing that, Iraq could enrich its own stock of non-bomb-grade uranium, but that doesn't appear to be an urgent threat. German intelligence says it would take three to six years, while the British say it would take at least five years.

One way to enrich uranium would be to use a centrifuge, a fairly primitive device. Saddam's pursuit of that route was at the center of a behind-the-scenes debate over the significance of a recent seizure in Jordan of aluminum tubes bound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for Iraq. It is a case study in the difficulty of sorting and interpreting intelligence. Vice President Dick Cheney asserted that the tubes—which *U.S. News* has learned intelligence officials believe came from Pakistan—were destined for use in an Iraqi centrifuge to enrich uranium. Privately, however, intelligence experts at the Department of Energy and the State Department dissented, arguing that the tubes were probably intended for use in conventional artillery systems. The debate continues, although administration officials insist that the consensus view of the intelligence community is that they were meant for the nuclear program. "What turnip truck do you think we fell off of?" says one. "There's no doubt about whether they could be used for gas centrifuges."

The bottom line for many in the Bush team is that Saddam is bound, at some point, to acquire a nuclear weapon. And the administration does not feel it can let that happen. "What puts the urgency in this is that we feel the strategic intelligence on Iraq might be pretty good, but the lack of tactical intelligence is what tripped us up on 9/11," says Armitage. "This president is not going to wait for an attack from Iraq."

Which raises another question: Would Saddam actually *use* any of these weapons against Americans? Least likely would be a straightforward missile attack with chemical, biological, or nuclear weapons. Such a strike would bear Saddam's return address—and would prompt an immediate all-out assault to remove him. Experts on intelligence and Iraq are almost unanimous in their belief that survival is Saddam's first priority. "He won't engage in an activity that he knows with certainty will result in his death," says Edward Walker, a former assistant secretary of state for Near East affairs. One reason Walker and others are so sure: In the Gulf War, Saddam refrained from using his chemical or biological arsenal, largely because then President Bush made it clear that doing so would bring an overwhelming American response.

A more likely scenario, one tinted by America's experience on September 11, is that terrorists would somehow gain access to weapons in Saddam's arsenal. Intelligence gleaned from the war in Afghanistan demonstrates how seriously al Qaeda has been pursuing these capabilities. Certainly there are places other than Iraq where terrorists might seek such weapons, including Pakistan or Iran. But Bush administration officials are convinced that Saddam would eagerly arm terrorists if he thought he could keep his involvement a secret. Top Bush aides including Defense Secretary Donald Rumsfeld floated sketchy reports of Saddam's contacts with al Qaeda, suggesting this might be further cause for taking the war on terrorism to Saddam. But most intelligence officials are very skeptical that there is an active alliance. "What we've seen here is a gross politicization of the available intelligence, either presented in an intentionally skewed way or taking things that are true and presenting them in a way that's misleading at best," says one intelligence official.

ROB CADY—USN&WR

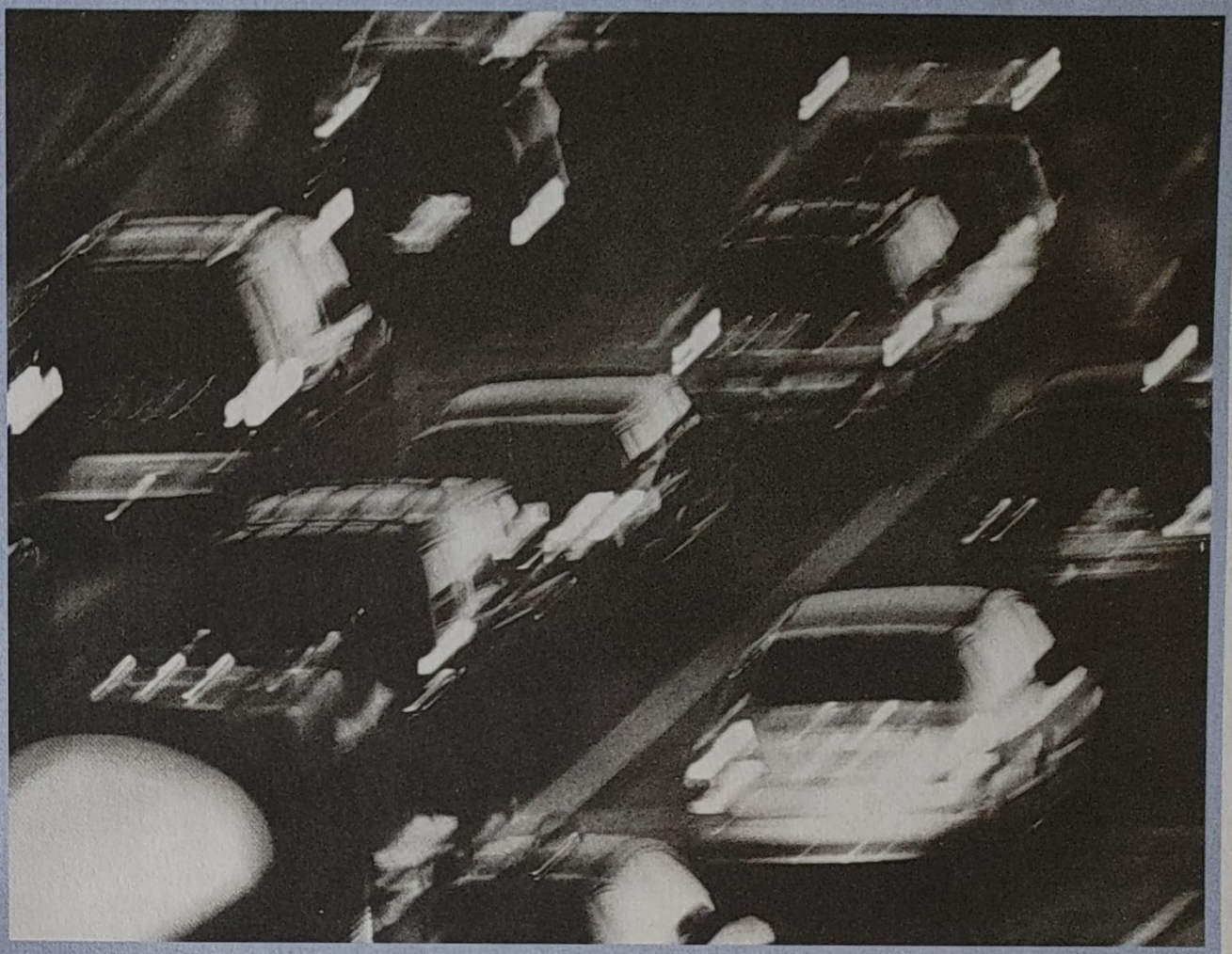
Of course, Saddam wouldn't need to use nuclear weapons to be dangerous. Just the threat they pose could change the region's balance of power. "If he had nuclear weapons, he would see it as enabling him to resume his lifelong ambition—to dominate the Arab world, destroy the state of Israel, and punish the United States," says Kenneth Pollack, a former CIA analyst on Iraq and top White House official.

Who knows? The sometimes-confused intelligence about Iraq doesn't just complicate the debate over whether to go to war; it makes it difficult for military officers to *plan* for war. Col. Tom Hyde heads Checkmate, the Air Force's planning office that has been trying to figure out how to neutralize Iraq's weapons; after all, the military wants to make sure Iraq doesn't use weapons of mass destruction against U.S. forces or allies. Yet given the spotty intelligence about where weapons are hidden, Hyde has more questions than answers. "What does he have? We're unsure," he says. "When will he use it or will he use it? We're unsure again. That's the thing I spend the most time scratching my head about." During the Gulf War, Iraq managed to fire off about 90 Scud missiles with conventional warheads at targets in Israel and Saudi Arabia. Yet this time around, the military has a fleet of unmanned Predator and Global Hawk drone aircraft that can scour western Iraq for Scud launchers and feed the targeting information to fighter planes. The Pentagon believes it can do a better job of playing defense against Saddam's depleted missile force.

One obstacle, however, is that many of the research labs and storerooms for Saddam's weapons program remain hidden. When President Clinton launched a four-day bombing raid of Iraq in 1998 to destroy

LLOYD FRANCIS—SIPA

DEFACED. On the Gulf War anniversary, a soldier treads on Bush.



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	CAR 2			
PERSONAL INJURY PROTECTION OR MEDICAL PAYMENTS: _____ PER PERSON	CAR 1			
	CAR 2			
UNINSURED MOTORISTS: _____ PER PERSON _____ PER OCCURRENCE _____ PROPERTY DAMAGE	CAR 1			
	CAR 2			
COMPREHENSIVE (YOUR CAR): _____ DEDUCTIBLE	CAR 1			
	CAR 2			
COLLISION (YOUR CAR): _____ DEDUCTIBLE	CAR 1			
	CAR 2			
EMERGENCY ROAD SERVICE:	CAR 1			
	CAR 2			
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Iraq's weapons-of-mass-destruction program, strike planners could identify so few sites that only 11 of the 97 targets were related to his weapons program.

Even if the Pentagon can find the sites, many are concerned that airstrikes might disperse deadly agents into civilian areas or close to U.S. forces. Intelligence confirms that Saddam has located many of the chemical and biological production facilities in densely populated areas, which could be put at risk if they become targets of the U.S. Air Force. Much of his production is now done in mobile laboratories that one official likened to "ice-cream trucks." And then there's what military officers sometimes refer to as the "Samson scenario": If Saddam were attacked and thought he was going to be killed, he might then loose his arsenal and bring the temple down around him. "We're moving ourselves into a self-fulfilling prophecy," worries one intelligence official.

So is Saddam still the most dangerous man in the world? Many experts don't see him as the most urgent threat. "In my judgment, international terrorism is a much greater and more urgent threat to the people of the United States than Saddam Hussein," says Senator Graham, who receives regular classified briefings as head of the intelligence committee. A war with Iraq, he and others argue, could jeopardize further progress in taking out al Qaeda. In recent months, the United States has made good headway in the war, capturing a number of al Qaeda operatives with the help of foreign intelligence services. That cooperation could be put at risk. In particular, U.S. intelligence officials worry that a unilateral attack by the United States or a bloody, prolonged conflict could destabilize shaky governments in places like Jordan and Pakistan, two key allies in the war on terrorism.

Even when it comes to weapons of mass destruction, Iraq is not the most capable country among those in Bush's "axis of evil." North Korea already has one, and perhaps two, nuclear weapons, according to the CIA. It is also the world's most active proliferator of missile technology, a fact that helped justify the Bush administration's push last year for a missile defense system. And Iran is the worst offender on the short list of state sponsors of terrorism. "In terms of the lives of America's sons and daughters, Saddam does not pop up to me as the greatest threat," says Greg Thielmann, who just retired from running the proliferation office at the State Department's intelligence bureau.

In the end, a surprising amount of the threat assessment about Iraq comes down to a psychoanalysis of Saddam. The dictator is widely seen as pathologically aggressive and completely remorseless. That he surely is. In 1982, a small band of armed attackers sprayed Saddam's motorcade with gunfire as it passed through the village of Ad Dujayl, killing several bodyguards, but missing the main target. As Gen. Najib al-Salhi, once a leader in Iraq's Republican Guard, recalls, Saddam rounded up and killed scores of families in the village and burned down their homes. As a final message to those who might challenge his rule, Saddam had all the village's date trees chopped in half.

KENNETH JARECKE—CONTACT FOR USN&WR

ENEMIES. Iraq has warred with two neighbors; statues of Iraqi officers in Basra point at nemesis Iran.

Cornered. While most Saddam watchers agree he is ruthless, they insist he is not crazy. "He is a rational and political calculator who can reverse himself on a dime if his regime is threatened," says psychologist Jerrold Post, who used to profile Saddam for the CIA. "But he can become extremely dangerous when he is backed into a corner."

Another risk is that Saddam's regime of fear is so enveloping that his aides withhold information he does not want to hear. "Saddam consistently miscalculates catastrophically," says Pollack, who lays out a case for war in his new book, *The Threatening Storm: The Case for Invading Iraq*. "He takes actions that he does not realize are suicidal." Saddam has intimidated, tortured, and even killed so many advisers that he remains surrounded by sycophants. David Kay, a former U.N. weapons inspector, recalls a Foreign Ministry official telling him about a meeting with Saddam soon after the Gulf War where the Iraqi leader asked his advisers if he really had to comply with U.N. inspections. His aides, petrified to respond, remained silent. Then one official finally spoke up, timidly reminding him that Iraq had agreed to the inspections in U.N. resolutions. Hours after the meeting, he was told that Saddam had sent him a present. Fearing the worst punishment, he found instead a Mercedes, with a note thanking him for speaking honestly. The Mercedes had been stolen from Kuwait.

That sort of unpredictability can cut both ways. What is known about Saddam Hussein—and the fear of the unknown—is proving to be a persuasive and powerful argument to a nation still haunted by September 11. Says Pollack: "We just don't know exactly when he is going to get a nuclear weapon and we just don't want to be wrong." ●

With Thomas Omestad

BOOTLEG. The U.S. Coast Guard looks for contraband, said to help Iraq buy arms.

Shopping spree

Iraq's pursuit of weaponry, including nuclear technology, knows no bounds or boundaries

BY DAVID E. KAPLAN

INVESTIGATIVE REPORT

Known for its gold jewelry and cuckoo clocks, the small German town of Pforzheim seems a world away from the caldron of Saddam Hussein's Iraq. But it was from here that Bernd Schompeter shipped to Iraq machinery capable of making large cannons, according to charges filed by German authorities last month. Also on Schompeter's shopping list, officials say: MiG aircraft parts, rocket launchers, and machine guns. Schompeter's connection is said to have been an Iraqi-born American named Sahib al-Haddad, who allegedly sent the goods to Jordan. Police have jailed Schompeter, an engineer, and issued a warrant for Haddad's arrest.

Oddly, quaint little Pforzheim seems to be something of a hot spot for arms traffickers. In late August, police there also arrested a Maserati-driving Canadian, Arthur Andersen, on suspicion of illegal trading in at least $66 million worth of East European arms, ranging from bazookas and hand grenades to antitank guided missiles. These weapons, too, were headed to Jordan and from there, officials suspect, on to Iraq.

Andersen's attorney says that his client's shipments were legal; Schompeter has yet to enter a plea. For U.S. and German officials, the two cases are but the latest evidence of an extraordinary international effort by Baghdad to rearm itself with the world's deadliest weapons. Schompeter's milling equipment, they say, could make howitzers capable of firing chemical or biological shells. Other evidence suggests that Saddam has re-energized his programs to build ballistic missiles and nuclear warheads.

Before they were thrown out of Iraq in 1998, U.N. inspectors believed they had destroyed much of Saddam's chemical weapons arsenal and had badly disrupted his nuclear and bioweapons programs. But it was left to U.N. member states to dismantle the arms- and technology-buying network, says a frustrated Tim McCarthy, one of the last inspectors to leave Iraq. "That clearly did not happen."

A worldwide embargo begun in 1990 required Baghdad to get U.N. approval for virtually any item it wanted to import. But such legal niceties haven't stopped the regime from scouring the world's black markets for weaponry. And since 1998, the absence of inspectors and a relaxed U.N. embargo, coupled with Iraq's growing sales of black-market oil, have allowed the regime to accelerate its purchases. "Saddam has a huge network," says Khidhir Hamza, a former director of Iraq's nuclear program, who defected. "He has a hundred front companies just in Jordan and Turkey." Such outfits, analysts say, range from "one man, one fax" offices aimed at getting gas masks to sophisticated spy operations targeting nuclear technology.

Worldwide. To hide its trail, the regime is turning increasingly to independent arms dealers and multiple "cutouts" or fronts, officials say, making the shipments maddeningly difficult to track. Investigators have traced Iraq's contacts to firms in Tunisia, the Czech Republic, and India, to name a few. "It's not just the occasional guy in a bar with a kilo of uranium," says Johan Peleman, a U.N. arms smuggling specialist. "It's organized crime operating in a worldwide black market."

Top-dollar payments don't hurt, either, and the Iraqis can afford them. Once strapped for hard currency, Iraq's earnings from black-market oil sales quadrupled to $3 billion in the past four years, according to a CIA report released last week. Thus, in recent years, Iraq has obtained rocket-fuel chemicals from India, magnets and high-precision electronic switches from Germany, and fiber-optic cables for air defense from China. Its agents have combed Africa for uranium, landing, among other places, in Niger and South Africa. "Iraq is cooperating

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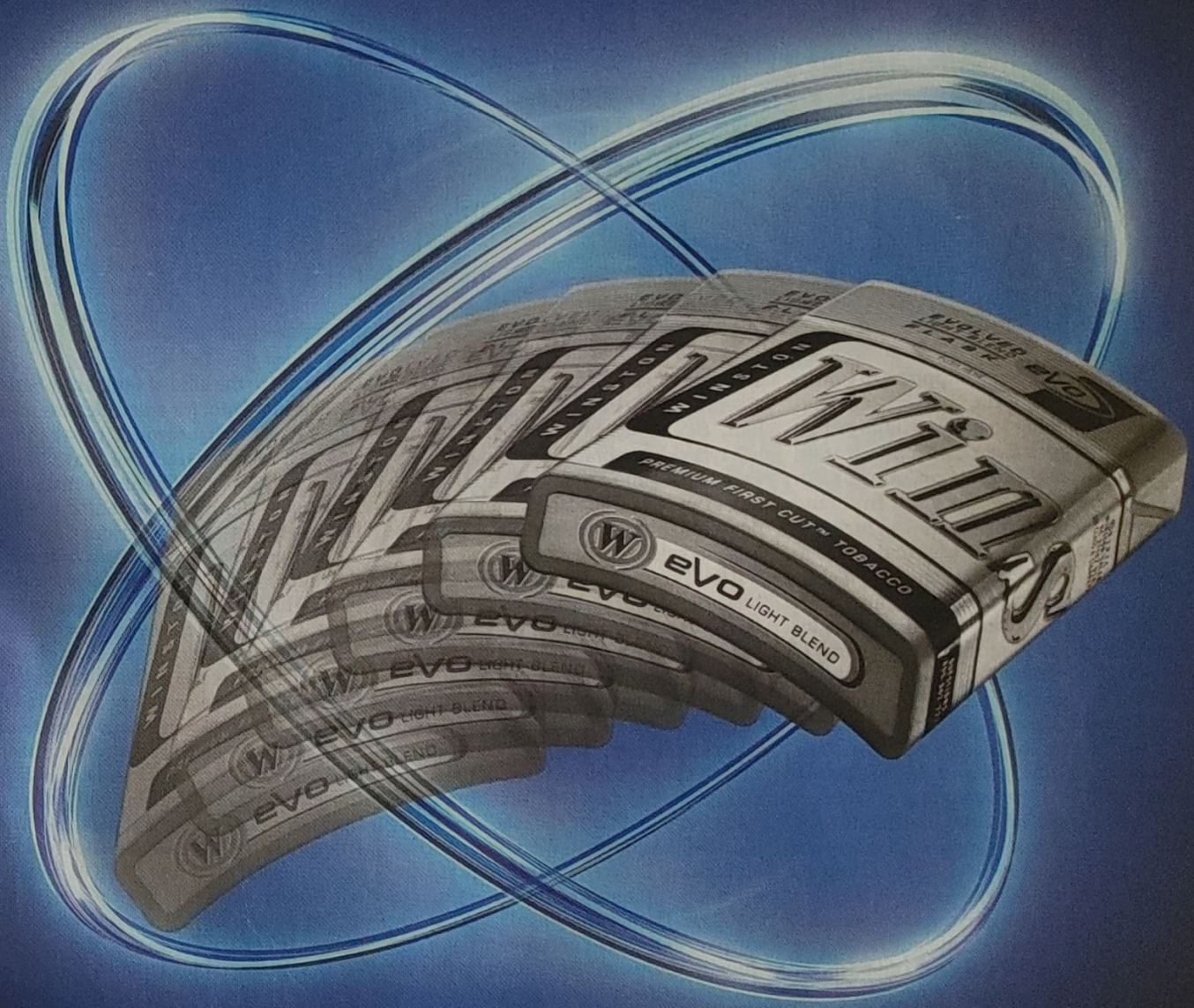

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CAUGHT. During a U.S. Customs Service sting, Fadi Boutros (in middle, and above) examines night-vision equipment that officials say Iraq ordered. Boutros was sentenced to three years in prison.

with a number of new suppliers in China, India, Russia, Syria, and Eastern Europe," according to an internal German customs report. Even Iraq's old nemesis, Iran, has a cut of the action, officials say.

U.S. customs agents got a firsthand look at Baghdad's methods during a three-year undercover case that ended in 1999. An alert Connecticut manufacturer noted that an order for steam boiler equipment matched the exact specs for an Iraqi petrochemical plant destroyed during the Persian Gulf War. The would-be buyer, agents soon learned, was Fadi Boutros, an Iraqi-American who ran a liquor store in the San Diego area. Boutros, in turn, was working with an alleged Iraqi front company, al Qanater Trading Establishment, in Amman, Jordan, which had given him a rather lengthy shopping list. Approached by agents posing as arms dealers, Boutros asked for machine tools, computers, software for ballistic missile guidance systems, night-vision goggles, and parts for helicopter and inertial navigation systems. Boutros plunked down $30,000—wired to him from Amman—for five of the night-vision devices, which he tried to ship to Jordan as ophthalmology equipment. For his trouble, he received three years in prison.

Wide open. As Western countries have cracked down, Iraq has shifted its buying spree to the former Soviet Union, officials say. Needing spare parts for their aging Soviet weapons systems, as well as missile and nuclear technology, the Iraqis have turned to Ukraine in particular. So wide open is that nation that Iraqis are smuggling parts from other nations for assembly there before shipment to Baghdad, *U.S. News* has learned. Another worry: evidence that Ukrainian President Leonid Kuchma personally approved the sale of an advanced radar system that can detect Stealth aircraft without their pilots' knowledge.

The Ukrainian city of Kharkov, home to a complex of military and aerospace factories, is described by one ex-CIA official as a watering hole for arms traffickers from across the globe. "It's the barroom scene from *Star Wars*," he says. "Every animal in the galaxy was there." Kharkov is also host to a nuclear research center with 75 kilos of uranium so highly enriched that Washington is quietly trying to buy the load and spirit it out of the country. Worried U.S. officials think it no coincidence that Iraq opened a diplomatic office there in late 2000. Its "honorary consul" in Kharkov until recently was Yuri Orshansky, a politically connected Ukrainian businessman who has reportedly visited Iraq 40 times since the Persian Gulf War. Under U.S. pressure, the Ukrainian government last month stripped Orshansky of his status.

Most worrisome is Saddam Hussein's nuclear appetite. A recent British government dossier reveals a series of covert attempts by Iraq since 1998 to purchase vacuum pumps, specialized magnets, fluorine gas, and unique machines for filament winding and balancing. Considered alone, each item might be explained as a legitimate purchase. But in combination, say former weapons inspectors, they point to the kind of centrifuge-based system that Iraq, for a decade, has tried using to enrich uranium to weapons grade. "It's industrial level," says David Kay, the U.N.'s chief weapons inspector in the early 1990s. "They are after a Manhattan Project-sized program."

Once goods are purchased overseas, the route to Iraq invariably leads through its neighbors Jordan and, increasingly, Syria. Convoys of trucks routinely leave Jordan for the daylong trek to Baghdad, while Syria now has a direct rail link to the country. "It was pretty difficult for Iraq to get completed weapons systems until Syria opened up," says one Iraq watcher. Iraq's money is also flowing through Syria, in the form of oil pumped through a newly repaired pipeline. The Iraqis have sold as much as $1 billion of black-market oil this way, all of it without U.N. control.

The Syrian oil sales offer one hint of how Iraq pays for its varied purchases. U.S. financial investigators are also looking at the regime's use of underground banking and laundering of money using commodities as varied as dates and cigarettes. "The schemes are unbelievably complex," says former inspector McCarthy, who credits the Iraqis with an ingenuity that dates back to the days of Mesopotamia. "After all," he says, "they've been trading for thousands of years." ●

With William Boston in Berlin, Mark Mazzetti, Douglas Pasternak, Kevin Whitelaw, Peter Cary, and Brian Whitmore in Prague, Czech Republic

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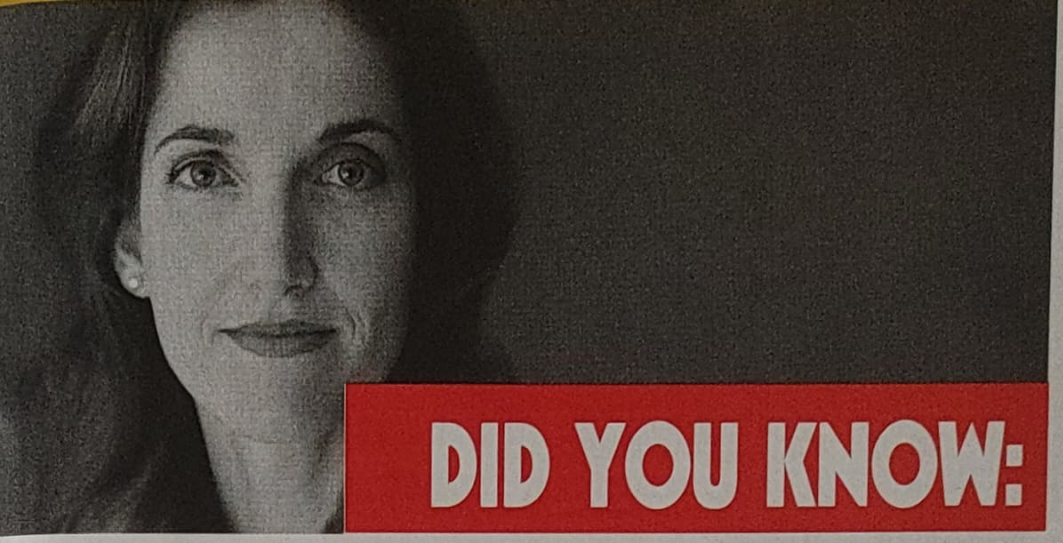

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CONTRAINDICATIONS: Hypersensitivity to any component of this medication. Active liver disease or unexplained, persistent elevations in liver function tests (see **WARNINGS**). *Pregnancy and lactation.* Atherosclerosis is a chronic process and discontinuation of lipid-lowering drugs during pregnancy should have little impact on the outcome of long-term therapy of primary hypercholesterolemia. Cholesterol and other products of cholesterol biosynthesis are essential components for fetal development (including synthesis of steroids and cell membranes). Since HMG-CoA reductase inhibitors decrease cholesterol synthesis and possibly the synthesis of other biologically active substances derived from cholesterol, they are contraindicated during pregnancy and in nursing mothers. **Pravastatin should be administered to women of childbearing age only when such patients are highly unlikely to conceive and have been informed of the potential hazards.** If the patient becomes pregnant while taking this class of drug, therapy should be discontinued immediately and the patient apprised of the potential hazard to the fetus (see **PRECAUTIONS: Pregnancy**).

WARNINGS: Liver Enzymes: HMG-CoA reductase inhibitors, like some other lipid-lowering therapies, have been associated with biochemical abnormalities of liver function. In three long-term (4.8-5.9 years), placebo-controlled clinical trials (WOS, LIPID, CARE; see **CLINICAL PHARMACOLOGY: Clinical Studies**), 19,592 subjects (19,768 randomized), were exposed to pravastatin or placebo. In an analysis of serum transaminase values (ALT, AST), incidences of marked abnormalities were compared between the pravastatin and placebo treatment groups; a marked abnormality was defined as a post-treatment test value greater than three times the upper limit of normal for subjects with pretreatment values less than or equal to the upper limit of normal, or four times the pretreatment value for subjects with pretreatment values greater than the upper limit of normal but less than 1.5 times the upper limit of normal. Marked abnormalities of ALT or AST occurred with similar low frequency (≤1.2%) in both treatment groups. Overall, clinical trial experience showed that liver function test abnormalities observed during pravastatin therapy were usually asymptomatic, not associated with cholestasis, and did not appear to be related to treatment duration. **It is recommended that liver function tests be performed prior to the initiation of therapy, prior to the elevation of the dose, and when otherwise clinically indicated.** Active liver disease or unexplained persistent transaminase elevations are contraindications to the use of pravastatin (see **CONTRAINDICATIONS**). Caution should be exercised when pravastatin is administered to patients who have a recent history of liver disease, have signs that may suggest liver disease (e.g., unexplained aminotransferase elevations, jaundice), or are heavy users of alcohol (see **CLINICAL PHARMACOLOGY: Pharmacokinetics/Metabolism**). Such patients should be closely monitored, started at the lower end of the recommended dosing range, and titrated to the desired therapeutic effect. Patients who develop increased transaminase levels or signs and symptoms of liver disease should be monitored with a second liver function evaluation to confirm the finding and be followed thereafter with frequent liver function tests until the abnormality(ies) return to normal. Should an increase in AST or ALT of three times the upper limit of normal or greater persist, withdrawal of pravastatin therapy is recommended. **Skeletal Muscle: Rare cases of rhabdomyolysis with acute renal failure secondary to myoglobinuria have been reported with pravastatin and other drugs in this class.** Uncomplicated myalgia has also been reported in pravastatin-treated patients (see **ADVERSE REACTIONS**). Myopathy, defined as muscle aching or muscle weakness in conjunction with increases in creatine phosphokinase (CPK) values to greater than 10 times the upper normal limit, was rare (<0.1%) in pravastatin clinical trials. Myopathy should be considered in any patient with diffuse myalgias, muscle tenderness or weakness, and/or marked elevation of CPK. Patients should be advised to report promptly unexplained muscle pain, tenderness or weakness, particularly if accompanied by malaise or fever. **Pravastatin therapy should be discontinued if markedly elevated CPK levels occur or myopathy is diagnosed or suspected. Pravastatin therapy should also be temporarily withheld in any patient experiencing an acute or serious condition predisposing to the development of renal failure secondary to rhabdomyolysis, e.g., sepsis; hypotension; major surgery; trauma; severe metabolic, endocrine, or electrolyte disorders; or uncontrolled epilepsy.** The risk of myopathy during treatment with another HMG-CoA reductase inhibitor is increased with concurrent therapy with either erythromycin, cyclosporine, niacin, or fibrates. However, neither myopathy nor significant increases in CPK levels have been observed in three reports involving a total of 100 post-transplant patients (24 renal and 76 cardiac) treated for up to two years concurrently with pravastatin 10-40 mg and cyclosporine. Some of these patients also received other concomitant immunosuppressive therapies. Further, in clinical trials involving small numbers of patients who were treated concurrently with pravastatin and niacin, there were no reports of myopathy. Also, myopathy was not reported in a trial of combination pravastatin (40 mg/day) and gemfibrozil (1200 mg/day), although 4 of 75 patients on the combination showed marked CPK elevations versus one of 73 patients receiving placebo. There was a trend toward more frequent CPK elevations and patient withdrawals due to musculoskeletal symptoms in the group receiving combined treatment as compared with the groups receiving placebo, gemfibrozil, or pravastatin monotherapy (see **PRECAUTIONS: Drug Interactions**). **The use of fibrates alone may occasionally be associated with myopathy. The combined use of pravastatin and fibrates should be avoided unless the benefit of further alterations in lipid levels is likely to outweigh the increased risk of this drug combination.**

PRECAUTIONS: General: PRAVACHOL may elevate creatine phosphokinase and transaminase levels (see **ADVERSE REACTIONS**). This should be considered in the differential diagnosis of chest pain in a patient on therapy with pravastatin. *Homozygous Familial Hypercholesterolemia.* Pravastatin has not been evaluated in patients with rare homozygous familial hypercholesterolemia. In this group of patients, it has been reported that HMG-CoA reductase inhibitors are less effective because the patients lack functional LDL receptors. *Renal Insufficiency.* A single 20 mg oral dose of pravastatin was administered to 24 patients with varying degrees of renal impairment (as determined by creatinine clearance). No effect was observed on the pharmacokinetics of pravastatin or its 3α-hydroxy isomeric metabolite (SQ 31,906). A small increase was seen in mean AUC values and half-life ($t_{1/2}$) for the inactive enzymatic ring hydroxylation metabolite (SQ 31,945). Given this small sample size, the dosage administered, and the degree of individual variability, patients with renal impairment who are receiving pravastatin should be closely monitored. **Information for Patients:** Patients should be advised to report promptly unexplained muscle pain, tenderness or weakness, particularly if accompanied by malaise or fever (see **WARNINGS: Skeletal Muscle**). **Drug Interactions:** ***Immunosuppressive Drugs, Gemfibrozil, Niacin (Nicotinic Acid), Erythromycin:*** See **WARNINGS: Skeletal Muscle**. *Cytochrome P450 3A4 Inhibitors: In vitro* and *in vivo* data indicate that pravastatin is not metabolized by cytochrome P450 3A4 to a clinically significant extent. This has been shown in studies with known cytochrome P450 3A4 inhibitors (see diltiazem and itraconazole below). Other examples of cytochrome P450 3A4 inhibitors include ketoconazole, mibefradil, and erythromycin. *Diltiazem* – Steady-state levels of diltiazem (a known, weak inhibitor of P450 3A4) had no effect on the pharmacokinetics of pravastatin. In this study, the AUC and C_{max} of another HMG-CoA reductase inhibitor which is known to be metabolized by cytochrome P450 3A4 increased by factors of 3.6 and 4.3, respectively. *Itraconazole* – The mean AUC and C_{max} for pravastatin were increased by factors of 1.7 and 2.5, respectively, when given with itraconazole (a potent P450 3A4 inhibitor which also inhibits p-glycoprotein transport) as compared to placebo. The mean $t_{1/2}$ was not affected by itraconazole, suggesting that the relatively small increases in C_{max} and AUC were due solely to increased bioavailability rather than a decrease in clearance, consistent with inhibition of p-glycoprotein transport by itraconazole. This drug transport system is thought to affect bioavailability and excretion of HMG-CoA reductase inhibitors, including pravastatin. The AUC and C_{max} of another HMG-CoA reductase inhibitor which is known to be metabolized by cytochrome P450 3A4 increased by factors of 19 and 17, respectively, when given with itraconazole. *Antipyrine:* Since concomitant administration of pravastatin had no effect on the clearance of antipyrine, interactions with other drugs metabolized via the same hepatic cytochrome isozymes are not expected. *Cholestyramine/Colestipol:* Concomitant administration resulted in an approximately 40 to 50% decrease in the mean AUC of pravastatin. However, when pravastatin was administered 1 hour before or 4 hours after cholestyramine or 1 hour before colestipol and a standard meal, there was no clinically significant decrease in bioavailability or therapeutic effect. (See **DOSAGE AND ADMINISTRATION: Concomitant Therapy**.) *Warfarin:* Concomitant administration of 40 mg pravastatin had no clinically significant effect on prothrombin time when administered in a study to normal elderly subjects who were stabilized on warfarin. *Cimetidine:* The $AUC_{0-12\ hr}$ for pravastatin when given with cimetidine was not significantly different from the AUC for pravastatin when given alone. A significant difference was observed between the AUC's for pravastatin when given with cimetidine compared to when administered with antacid. *Digoxin:* In a crossover trial involving 18 healthy male subjects given 20 mg pravastatin and 0.2 mg digoxin concurrently for 9 days, the bioavailability parameters of digoxin were not affected. The AUC of pravastatin tended to increase, but the overall bioavailability of pravastatin plus its metabolites SQ 31,906 and SQ 31,945 was not altered. *Cyclosporine:* Some investigators have measured cyclosporine levels in patients on pravastatin (up to 20 mg), and to date, these results indicate no clinically meaningful elevations in cyclosporine levels. In one single-dose study, pravastatin levels were found to be increased in cardiac transplant patients receiving cyclosporine. *Gemfibrozil:* In a crossover study in 20 healthy male volunteers given concomitant single doses of pravastatin and gemfibrozil, there was a significant decrease in urinary excretion and protein binding of pravastatin. In addition, there was a significant increase in AUC, C_{max}, and T_{max} for the pravastatin metabolite SQ 31,906. Combination therapy with pravastatin and gemfibrozil is generally not recommended. (See **WARNINGS: Skeletal Muscle**.) In interaction studies with *aspirin, antacids* (1 hour prior to PRAVACHOL), *cimetidine, nicotinic acid,* or *probucol,* no statistically significant differences in bioavailability were seen when PRAVACHOL was administered. **Endocrine Function:** HMG-CoA reductase inhibitors interfere with cholesterol synthesis and lower circulating cholesterol levels and, as such, might theoretically blunt adrenal or gonadal steroid hormone production. Results of clinical trials with pravastatin in males and post-menopausal females were inconsistent with regard to possible effects of the drug on basal steroid hormone levels. In a study of 21 males, the mean testosterone response to human chorionic gonadotropin was significantly reduced ($p<0.004$) after 16 weeks of treatment with 40 mg of pravastatin. However, the percentage of patients showing a ≥50% rise in plasma testosterone after human chorionic gonadotropin stimulation did not change significantly after therapy in these patients. The effects of HMG-CoA reductase inhibitors on spermatogenesis and fertility have not been studied in adequate numbers of patients. The effects, if any, of pravastatin on the pituitary-gonadal axis in pre-menopausal females are unknown. Patients treated with pravastatin who display clinical evidence of endocrine dysfunction should be evaluated appropriately. Caution should also be exercised if an HMG-CoA reductase inhibitor or other agent used to lower cholesterol levels is administered to patients also receiving other drugs (e.g., *ketoconazole, spironolactone, cimetidine*) that may diminish the levels or activity of steroid hormones. **CNS Toxicity:** CNS vascular lesions, characterized by perivascular hemorrhage and edema and mononuclear cell infiltration of perivascular spaces, were seen in dogs treated with pravastatin at a dose of 25 mg/kg/day. These effects in dogs were observed at approximately 59 times the human dose of 80 mg/day, based on AUC. Similar CNS vascular lesions have been observed with several other drugs in this class. A chemically similar drug in this class produced optic nerve degeneration (Wallerian degeneration of retinogeniculate fibers) in clinically normal dogs in a dose-dependent fashion starting at 60 mg/kg/day, a dose that produced mean plasma drug levels about 30 times higher than the mean drug level in humans taking the highest recommended dose (as measured by total enzyme inhibitory activity). This same drug also produced vestibulocochlear Wallerian-like degeneration and retinal ganglion cell chromatolysis in dogs treated for 14 weeks at 180 mg/kg/day, a dose which resulted in a mean plasma drug level similar to that seen with the 60 mg/kg/day dose. **Carcinogenesis, Mutagenesis, Impairment of Fertility:** Please see Full Prescribing Information. **Pregnancy: Pregnancy Category X.** See **CONTRAINDICATIONS**. Safety in pregnant women has not been established. Pravastatin was not teratogenic in rats at doses up to 1000 mg/kg daily or in rabbits at doses of up to 50 mg/kg daily. These doses resulted in 10x (rabbit) or 120x (rat) the human exposure based on surface area (mg/meter^2). Rare reports of congenital anomalies have been received following intrauterine exposure to other HMG-CoA reductase inhibitors. In a review[1] of approximately 100 prospectively followed pregnancies in women exposed to simvastatin or lovastatin, the incidences of congenital anomalies, spontaneous abortions and fetal deaths/stillbirths did not exceed what would be expected in the general population. The number of cases is adequate only to exclude a three-to-four-fold increase in congenital anomalies over the background incidence. In 89% of the prospectively followed pregnancies, drug treatment was initiated prior to pregnancy and was discontinued at some point in the first trimester when pregnancy was identified. As safety in pregnant women has not been established and there is no apparent benefit to therapy with PRAVACHOL (pravastatin sodium) during pregnancy (see **CONTRAINDICATIONS**), treatment should be immediately discontinued as soon as pregnancy is recognized. PRAVACHOL should be administered to women of child-bearing potential only when such patients are highly unlikely to conceive and have been informed of the potential hazards. **Nursing Mothers:** A small amount of pravastatin is excreted in human breast milk. Because of the potential for serious adverse reactions in nursing infants, women taking PRAVACHOL should not nurse (see **CONTRAINDICATIONS**). **Pediatric Use:** Safety and effectiveness in individuals less than 18 years old have not been established. Hence, treatment in patients less than 18 years old is not recommended at this time. **Geriatric Use:** Two secondary prevention trials with pravastatin (CARE and LIPID) included a total of 6,593 subjects treated with pravastatin 40 mg for periods ranging up to 6 years. Across these two studies, 36.1% of pravastatin subjects were aged 65 and older and 0.8% were aged 75 and older. The beneficial effect of pravastatin in elderly subjects in reducing cardiovascular events and in modifying lipid profiles was similar to that seen in younger subjects. The adverse event profile in the elderly was similar to that in the overall population. Other reported clinical experience has not identified differences in responses to pravastatin between elderly and younger patients. Mean pravastatin AUCs are slightly (25-50%) higher in elderly subjects than in healthy young subjects, but mean C_{max}, T_{max} and $t_{1/2}$ values are similar in both age groups and substantial accumulation of pravastatin would not be expected in the elderly (see **CLINICAL PHARMACOLOGY: Pharmacokinetics/Metabolism**).

ADVERSE REACTIONS: Pravastatin is generally well tolerated; adverse reactions have usually been mild and transient. In 4-month long placebo-controlled trials, 1.7% of pravastatin-treated patients and 1.2% of placebo-treated patients were discontinued from treatment because of adverse experiences attributed to study drug therapy; this difference was not statistically significant. (See also **PRECAUTIONS: Geriatric Use** section.)

Adverse Clinical Events: Short-Term Controlled Trials: All adverse clinical events (regardless of attribution) reported in more than 2% of pravastatin-treated patients in placebo-controlled trials of up to four months duration are identified in the table below; also shown are the percentages of patients in whom these medical events were believed to be related or possibly related to the drug:

Adverse Events in >2 Percent of Patients Treated with Pravastatin 10-40 mg in Short-Term Placebo-Controlled Trials

	All Events		Events Attributed to Study Drug	
Body System/Event	**Pravastatin (N = 900) % of patients**	**Placebo (N = 411) % of patients**	**Pravastatin (N = 900) % of patients**	**Placebo (N = 411) % of patients**
Cardiovascular				
Cardiac Chest Pain	4.0	3.4	0.1	0.0
Dermatologic				
Rash	4.0*	1.1	1.3	0.9
Gastrointestinal				
Nausea/Vomiting	7.3	7.1	2.9	3.4
Diarrhea	6.2	5.6	2.0	1.9
Abdominal Pain	5.4	6.9	2.0	3.9
Constipation	4.0	7.1	2.4	5.1
Flatulence	3.3	3.6	2.7	3.4
Heartburn	2.9	1.9	2.0	0.7
General				
Fatigue	3.8	3.4	1.9	1.0
Chest Pain	3.7	1.9	0.3	0.2
Influenza	2.4*	0.7	0.0	0.0
Musculoskeletal				
Localized Pain	10.0	9.0	1.4	1.5
Myalgia	2.7	1.0	0.6	0.0
Nervous System				
Headache	6.2	3.9	1.7*	0.2
Dizziness	3.3	3.2	1.0	0.5
Renal/Genitourinary				
Urinary Abnormality	2.4	2.9	0.7	1.2
Respiratory				
Common Cold	7.0	6.3	0.0	0.0
Rhinitis	4.0	4.1	0.1	0.0
Cough	2.6	1.7	0.1	0.0

*Statistically significantly different from placebo.

The safety and tolerability of PRAVACHOL at a dose of 80 mg in two controlled trials with a mean exposure of 8.6 months was similar to that of PRAVACHOL at lower doses except that 4 out of 464 patients taking 80 mg of pravastatin had a single elevation of CK >10x ULN compared to 0 out of 115 patients taking 40 mg of pravastatin.

Long-Term Controlled Morbidity and Mortality Trials: Adverse event data were pooled from seven double-blind, placebo-controlled trials (West of Scotland Coronary Prevention study [WOS]; Cholesterol and Recurrent Events study [CARE]; Long-term Intervention with Pravastatin in Ischemic Disease study [LIPID]; Pravastatin Limitation of Atherosclerosis in the Coronary Arteries study [PLAC I]; Pravastatin, Lipids and Atherosclerosis in the Carotids study [PLAC II]; Regression Growth Evaluation Statin Study [REGRESS]; and Kuopio Atherosclerosis Prevention Study [KAPS]) involving a total of 10,764 patients treated with pravastatin 40 mg and 10,719 patients treated with placebo. The safety and tolerability profile in the pravastatin group was comparable to that of the placebo group. Patients were exposed to pravastatin for a mean of 4.0 to 5.1 years in WOS, CARE, and LIPID and 1.9 to 2.9 years in PLAC I, PLAC II, KAPS, and REGRESS. In these long-term trials, the most common reasons for discontinuation were mild, non-specific gastrointestinal complaints. Collectively, these seven trials represent 47,613 patient-years of exposure to pravastatin. Events believed to be of probable, possible, or uncertain relationship to study drug, occurring in at least 1% of patients treated with pravastatin in these studies are identified as follows: **Adverse Events in ≥1 Percent of Patients Treated with Pravastatin 40 mg in Long-Term Placebo-Controlled Trials [Pravastatin (N = 10,764) % of patients vs. Placebo (N = 10,719) % of patients] in each Body System/Event** *Cardiovascular:* Angina Pectoris (3.1 vs. 3.4); *Dermatologic:* Rash (2.1 vs. 2.2); *Gastrointestinal:* Dyspepsia/Heartburn (3.5 vs. 3.7); Abdominal Pain (2.4 vs. 2.5); Nausea/Vomiting (1.6 vs. 1.6); Flatulence (1.2 vs. 1.1); Constipation (1.2 vs. 1.3); *General:* Fatigue (3.4 vs. 3.3); Chest Pain (2.6 vs. 2.6); *Musculoskeletal:* Musculoskeletal Pain (includes arthralgia) (6.0 vs. 5.8); Muscle Cramp (2.0 vs. 1.8); Myalgia (1.4 vs. 1.4); *Nervous System:* Dizziness (2.2 vs. 2.1); Headache (1.9 vs. 1.8); Sleep Disturbance (1.0 vs. 0.9); Depression (1.0 vs. 1.0); Anxiety/Nervousness (1.0 vs. 1.2); *Renal/Genitourinary:* Urinary Abnormality (includes dysuria, frequency, nocturia) (1.0 vs. 0.8); *Respiratory:* Dyspnea (1.6 vs. 1.6); Upper Respiratory Infection (1.3 vs. 1.3); Cough (1.0 vs. 1.0); *Special Senses:* Vision Disturbance (includes blurred vision, diplopia) (1.6 vs. 1.3).

Events of probable, possible, or uncertain relationship to study drug that occurred in <1.0% of pravastatin-treated patients in the long-term trials included the following; frequencies were similar in placebo-treated patients: *Dermatologic:* pruritus, dermatitis, dryness of skin, scalp hair abnormality (including alopecia), urticaria. *Endocrine/Metabolic:* sexual dysfunction, libido change. *Gastrointestinal:* decreased appetite. *General:* fever, flushing. *Immunologic:* allergy, edema head/neck. *Musculoskeletal:* muscle weakness. *Nervous System:* paresthesia, vertigo, insomnia, memory impairment, tremor, neuropathy (including peripheral neuropathy). *Special Senses:* lens opacity, taste disturbance. **Postmarketing Experience:** In addition to the events reported above, as with other drugs in this class, the following events have been reported rarely during postmarketing experience with PRAVACHOL (pravastatin sodium), regardless of causality assessment: *Musculoskeletal:* myopathy, rhabdomyolysis. *Nervous System:* dysfunction of certain cranial nerves (including alteration of taste, impairment of extraocular movement, facial paresis), peripheral nerve palsy. *Hypersensitivity:* anaphylaxis, lupus erythematosus-like syndrome, polymyalgia rheumatica, dermatomyositis, vasculitis, purpura, hemolytic anemia, positive ANA, ESR increase, arthritis, arthralgia, asthenia, photosensitivity, chills, malaise, toxic epidermal necrolysis, erythema multiforme, including Stevens-Johnson syndrome. *Gastrointestinal:* pancreatitis, hepatitis, including chronic active hepatitis, cholestatic jaundice, fatty change in liver, cirrhosis, fulminant hepatic necrosis, hepatoma. *Dermatologic:* A variety of skin changes (e.g., nodules, discoloration, dryness of mucous membranes, changes to hair/nails). *Reproductive:* gynecomastia. *Laboratory Abnormalities:* elevated alkaline phosphatase, and bilirubin; thyroid function abnormalities. **Laboratory Test Abnormalities:** Increases in serum transaminase (ALT, AST) values and CPK have been observed (see **WARNINGS**). Transient, asymptomatic eosinophilia has been reported. Eosinophil counts usually returned to normal despite continued therapy. Anemia, thrombocytopenia, and leukopenia have been reported with HMG-CoA reductase inhibitors. **Concomitant Therapy:** Pravastatin has been administered concurrently with cholestyramine, colestipol, nicotinic acid, probucol and gemfibrozil. Preliminary data suggest that the addition of either probucol or gemfibrozil to therapy with lovastatin or pravastatin is **not** associated with greater reduction in LDL-cholesterol than that achieved with lovastatin or pravastatin alone. No adverse reactions unique to the combination or in addition to those previously reported for each drug alone have been reported. Myopathy and rhabdomyolysis (with or without acute renal failure) have been reported when another HMG-CoA reductase inhibitor was used in combination with immunosuppressive drugs, gemfibrozil, erythromycin, or lipid-lowering doses of nicotinic acid. Concomitant therapy with HMG-CoA reductase inhibitors and these agents is generally not recommended. (See **WARNINGS: Skeletal Muscle** and **PRECAUTIONS: Drug Interactions**.)

OVERDOSAGE: To date, there has been limited experience with overdosage of pravastatin. If an overdose occurs, it should be treated symptomatically with laboratory monitoring and supportive measures should be instituted as required. (See **WARNINGS**.)

REFERENCE: [1]Manson JM, Freyssinges C, Ducrocq MB, Stephenson WP. Postmarketing Surveillance of Lovastatin and Simvastatin Exposure During Pregnancy. *Reproductive Toxicology* 10(6):439-446, 1996.

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Revised July 2002

Sen. Robert Torricelli, at his news conference in Trenton, N.J.

For all the marbles

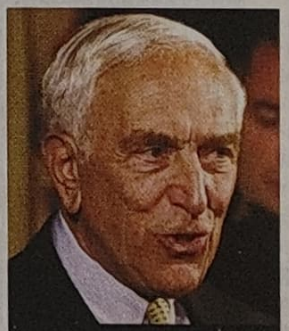
New Jersey Democrat Robert Torricelli calls it quits, and the fight for control of the Senate gets nasty

BY TERENCE SAMUEL

No one doubted for a minute that before it was over, the battle for the U. S. Senate would degenerate into something like a bar fight. But it would have been impossible just a few weeks ago to get any takers for a proposition that among the first to fall, bloody and battered and unable to go on, would be the Torch. New Jersey's Robert Torricelli had too much money; his fellow Democrats were too indebted to him. He had a rookie opponent in Doug Forrester, and New Jersey, it seemed, had shed its swing-state status and emerged as solidly Democratic. Besides, the Torch was simply too good a pol to get taken out so easily.

So when Torricelli suddenly pulled his chute and bailed out of his re-election bid last week, it was a signal, as clear as a rest stop sign of the Jersey Turnpike, that the fight was on and that both sides were taking it outside. Republicans had pummeled Torricelli for his ethics violations to the point of infirmity. Democrats, sensing that he couldn't be saved, began looking for options.

The withdrawal speech—melodramatic, overwrought, self-absorbed—was quintessentially Torricelli, but the retreat sure wasn't. There was the face-saving palaver about Torricelli's doing it for the good of the party, but it's clear he had been told by party elders that the time had come for him to go. If that weren't bad enough, named as his stand-in was former Sen. Frank Lautenberg, a sworn Torricelli foe.



SUBSTITUTE. Former Sen. Frank Lautenberg, out of retirement to help the Democrats

No fantasy. Torricelli's untimely exit, happy as it may have made some in the GOP, didn't please all his former colleagues on the other side of the aisle. "I feel like we're playing a game of fantasy football here, with Democrats trying to choose their game and choose who plays," said Senate GOP leader Trent Lott. "This is playground politics."

Maybe, but the stakes were plenty high. With the White House and the House in GOP hands, both Democrats and Republicans have no illusions about what control of the Senate would mean for the Bush agenda over the next two years; the consequences of failure, of course, are also pretty plain. With Democrats in charge, most of the president's initiatives will be stymied, many of his ambitions unfulfilled. Is it any wonder that the White House has been so obsessed about removing Tom Daschle as majority leader?

Democrats, obviously, see the same scenarios, only from the other end of the telescope. Preserving their slim majority in the Senate is the only leverage they'd have in dealing with the Bush White House. "The only way the American people can be sure of an open debate is for the Senate to stay under Democratic control," says Sen. Patty Murray, who chairs the Democratic Senatorial Campaign Committee. "Whether it's lowering the cost of prescription drugs or imposing tough reforms on corporate fraud or drilling in the Arctic National Wildlife Refuge, the outcome of these discussions would be a lot different if there were no check on the Republican House and White House."

At this point, while no one is predicting big wins, Republicans feel they have Democratic incumbents on the ropes in Missouri, South Dakota, and Minnesota. They

FROM TOP: CHIP EAST—REUTERS / LANDOV; DANIEL HULSHIZER—AP

also dream about knocking off Democrats in Iowa and Louisiana. On the strength of President Bush's popularity, Republicans tout themselves as part of the Bush brand, a no-nonsense, sure-handed kind of effectiveness. "Broadly, if we look at the background, the landscape itself, our candidates represent a Republican Party—and this goes to the brand concern—which under the leadership of President Bush makes things happen, gets things done," says Sen. Bill Frist, chairman of the National Republican Senatorial Committee, the campaign arm of the Senate GOP. "This does contrast sharply with the obstruction that we see playing out every day here in the United States Senate—the failed leadership concept."

Democrats have their own hit list, hoping to grab GOP seats in Arkansas, Colorado, and New Hampshire; they drool about picking up the open GOP seat in Texas, since it would embarrass the White House. "My sense is that we are going to be in the majority," says Massachusetts Democrat Ted Kennedy. "It might be two seats or three, but we'll be in the majority. The inherent advantage that we have is that the Democratic priorities are the things people care about—educating their children, prescription drugs, Social Security. And they want to avoid court-packing, in terms of the federal judiciary, which this administration is intent on doing with a lot of conservatives."

Money matters. When Congress returned after the August recess, Majority Leader Daschle stood before a meeting of his Democratic colleagues and implored them to dig deeper in to their own pockets and political action committee accounts to help fund close races. Money, he said, "was going to make the difference." According to insiders his plea was aimed at three high-profile senators, John Kerry of Massachusetts, John Edwards of North Carolina, and Joe Lieberman of Connecticut. But Daschle urged every Democrat to step up fundraising efforts. As a result, there are now persistent scheduling pressures on the offices of the Democratic Senatorial Campaign Committee, where senators go to make fundraising calls. Everybody is on board.

But they're up against a White House determined to keep the president on the road from now until Election Day campaigning and fundraising, especially for Senate candidates. The president has raised more than $133 million for GOP candidates so far this year, far exceeding the $35 million that President Clinton raised two years into his first term.

New Jersey seemed the first GOP triumph. After Torricelli withdrew, the GOP was momentarily gleeful. But now the party faces a less flawed candidate with high name recognition in a very Democratic state. Suddenly, they miss the Torch. "We kind of hammered him a little too hard," joked Ron Bonjean, an aide to Senator Lott.

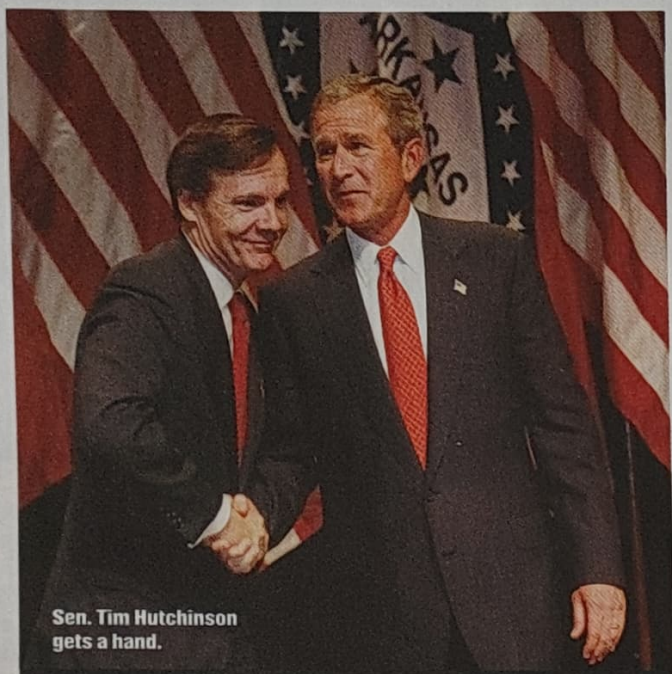
For some of the regulars at the Tick Tock Diner off Route 3 in Clifton, N.J., the Torricelli saga has turned the election into a of political spectacle and reinforced its national implications. Guerda Santil, a 37-year-old registered nurse from Roselle, and a Democrat, is the perfect illustration of why Democrats thought Torricelli had to go. "I didn't trust him. I probably wouldn't have voted at all." But with Lautenberg on the ticket, the Dems have a shot at Santil's vote. "I would like to know his position on education and taxes," she says, adding that she'd like to see Democrats keep control of the Senate. "Most of the things I believe in," Santil says, "they fight for." Says another Democrat, Bill Miller, 54: "I didn't want to vote for him. I'll definitely vote for Lautenberg. My feeling is he's credible and a gentleman. Torricelli had outbursts of denial."

Morris Stein, the same age as Lautenberg, is wolfing one of the Tick Tock's generous club sandwiches as he ponders the question of Senate control. "I'm motivated to keep the Democrats in the Senate. I don't like the way the Republicans are behaving in Congress. I would've voted for Torricelli." He worries that if the GOP took control: "They would be a rubber stamp for what Bush is trying to do. I don't think any of them is any better than Torricelli."

Chris Valvo disagrees, but the 28-year-old Republican is voting for Doug Forrester for the same reason. "One little seat could change the whole power of Washington," says the equities trader. Valvo thinks the Democrats should have been forced to live with Torricelli on the ballot. "The law is black and white, and it would set a very bad precedent. I can see [allowing the ballot switch] if he was in jail unable to hold public office, but the only reason he dropped out is because he was losing."

But that is when you expect to see the knives in a bar fight. Now they're out for good. ●

With Jeff Glasser in New Jersey



Sen. Tim Hutchinson gets a hand.

Control of Senate rests on tight races

VULNERABLE REPUBLICAN SEATS (Incumbents listed in bold)

State	Democrat	Republican
Arkansas	State Attorney General Mark Pryor	**Sen. Tim Hutchinson**
Colorado	Former U.S. Attorney Tom Strickland	**Sen. Wayne Allard**
New Hampshire	Gov. Jeanne Shaheen	Rep. John Sununu
Texas	Former Dallas Mayor Ron Kirk	State Attorney General John Cornyn
VULNERABLE DEMOCRATIC SEATS		
Minnesota	**Sen. Paul Wellstone**	Former St. Paul Mayor Norm Coleman
Missouri	**Sen. Jean Carnahan**	Former Rep. Jim Talent
New Jersey	Former Sen. Frank Lautenberg	Businessman Doug Forrester
South Dakota	**Sen. Tim Johnson**	Rep. John Thune

RICK BOWMER—AP

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Too high a cost for a cure?

A child's cancer tarnishes a historic triumph for gene therapy

BY NELL BOYCE

Just a month ago, geneticist Jennifer Puck was hoping to chalk up a rare gene therapy success. Her group at the National Institutes of Health wanted to build on the stunning results achieved over the past two years by Alain Fischer and Marina Cavazzana-Calvo of the Necker Hospital in Paris. Their technique has cured 10 children of "bubble boy" disease, the immune deficiency called SCID, by slipping a new gene into their bone marrow cells. It was the first clear success in this beleaguered field.

Puck had six sick children lined up, with samples of their bone marrow waiting in the freezer. "We had our first patient ready to come in," Puck remembers. But then, she says, "We got an E-mail from Alain Fischer that said, you know, something has come up here that you need to know about."

A 2-year-old boy in the study, who had received the treatment at the age of 2 months, had developed a leukemialike illness, which is now being treated. Early indications are that the new gene has disrupted his DNA in a way that triggered the cancer. "We don't yet know for certain," says French Anderson, a gene therapy pioneer at the University of Southern California. "But it almost certainly did."

Last week, the Food and Drug Administration said it had suspended three similar trials underway in the United States, including Puck's; the French team also stopped its study. "We need to understand before continuing," says Cavazzana-Calvo. The news represents another major blow to a field that was just getting back on track after U.S. teenager Jesse Gelsinger died in 1999 during a trial of a different kind of gene therapy. And it leaves researchers and families of SCID victims wondering how to weigh the risks and benefits of a therapy that had seemed little short of miraculous.

Scientists have long known that gene therapy carries some risk of cancer. To get an extra gene into a patient's cells, researchers often rely on crippled viruses that shuttle genetic material into the chromosomes. In SCID children, the new gene is intended to make up for a defective immune system gene, allowing them to fight off infections. But gene therapists can't control where the virus inserts its cargo. If it ends up in an unlucky spot, it might interfere with key genes or activate cancer-causing ones. Until now, however, that possibility was only theoretical.

Initial tests on the boy's cells suggest that the virus inserted the genetic material near another gene known to be involved in human leukemias. This gene had been activated, perhaps by the insertion. Mouse studies suggest that turning on this gene could be enough to trigger leukemia, Cavazzana-Calvo says. None of the three other patients tested so far show any sign of a similar genetic disruption.

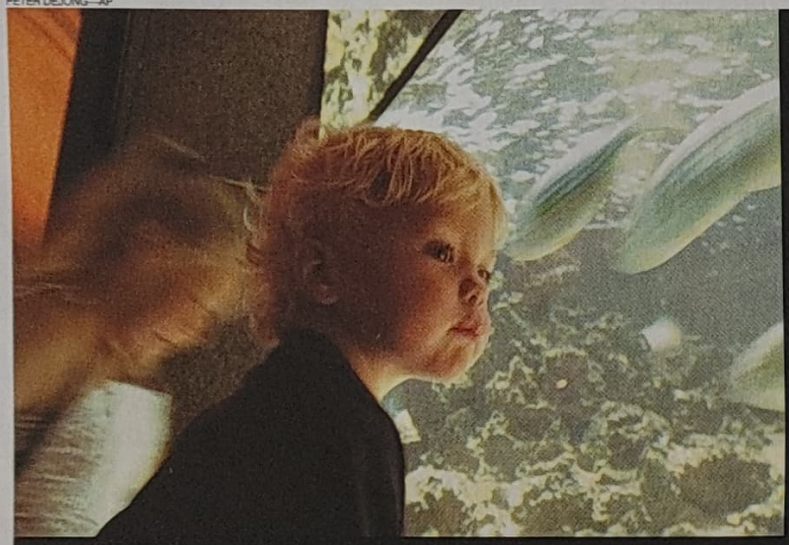
Genes gone bad? Some scientists think it may not be just that the new gene ended up in an unlucky spot. In a study in April, Christof von Kalle of the Cincinnati Children's Hospital Medical Center used a similar virus to ferry a supposedly harmless gene into the bone marrow cells of mice. The mice came down with leukemia, and studies showed that the inserted DNA had activated a gene. But the activated gene wasn't known to cause leukemia all by itself, and von Kalle—who is now collaborating with the French team—wonders whether the added gene somehow took on a new, harmful role after it was inserted.

Dozens of gene therapy trials that rely on a similar kind of virus are continuing, aimed at conditions from rheumatoid arthritis to HIV infection. Still, the tragedy serves as a reminder that "gene therapy has risks, and it shouldn't be used except in cases of serious disease," says Anderson. "It shouldn't be used for frivolous things."

For families of children who suffer from debilitating genetic diseases, the news casts a shadow, although they are still optimistic about gene therapy, says Jonathan Goldsmith of the Immune Deficiency Foundation, an advocacy group. "It's still seen as a tremendous way to try for a cure," he says.

But some scientists worry about how the news of the toddler's cancer will affect a field still haunted by Gelsinger's death. "It's a disaster. I mean, it's really awful," says Dusty Miller of the Fred Hutchinson Cancer Research Center. "There's much to be said for gene therapy, but ultimately if we're just bogged down with so many regulations and so many concerns of this sort, I don't see how it can proceed." ●

PETER DEJONG—AP



PIONEERS. Alain Fischer (above) and colleagues used genes to treat immune-deficient kids, including Dutch toddler Wilco Conradi (left).

"It's still seen as a tremendous way to try for a cure."

JONATHAN GOLDSMITH, *Immune Deficiency Foundation*

FRANCOIS GUILLOT—AFP

LETTER FROM RIO

The law of the jungle

BY DAVID E. KAPLAN

RIO DE JANEIRO—A half-hour's drive from the sparkling beaches of Copacabana, Rio's Maré complex sprawls across the landscape, a vast labyrinth of slums marked by rutted streets and winding alleys. This stark, unpoliced area stretches to the distant hills, with block after block of gritty, concrete tenements fitted with leaky sewers and jerry-rigged electrical wiring.

Here, as in other slums across Brazil, the government simply does not exist. There is no police or fire department, no high school, and few social services. What passes for law is a kind of jungle rule enforced by roving bands of drug traffickers, most in their teens and 20s, who patrol the streets heavily armed with Uzis, AK-47s, and even hand grenades.

This is terrorism of a different sort. On gang orders, local shops are told when to open and close. Shootings erupt three to four days a week. "We live in a war zone," says a middle-aged man who declined to give his name. Last week, the entire city was shut down for a day by the gangs. Intimidated shopkeepers closed their businesses, hotel guests stayed in their rooms, and the stock exchange halted trading.

Within Rio, some 1.2 million people—some 20 percent of the city's population—live in 764 *favelas*, as the slums are called. They stand as a grim reminder that despite Brazil's progress—the nation now boasts the world's eighth-largest economy—it remains a developing nation with striking disparities in wealth. With no jobs and few prospects, children of the *favelas* pour into the gangs. A report this year by British anthropologist Luke Dowdney concluded that some 6,000 young people ages 10 to 18 serve as "soldiers" in Rio's drug militias. Young men in the city are five times as likely to die from small-arms fire as those in New York or Washington, D.C.

Within the Maré complex, there are 17 separate *favelas*, and the battles among the rival gangs are murderous. One street dividing two Maré neighborhoods is a virtual no man's land, with residents on either side forbidden to cross under penalty of death.

Votes and violence. Even in this combat zone, election ads incongruously dot the pitted streets. On October 6, Brazilians voted for a new president and scores of federal officials. Attention overseas has centered on which candidate can best fix Brazil's faltering economy, rescued in August by a record $30 billion bailout from the International Monetary Fund. But for many Brazilians, the key issue is crime and their own security: The violence spilling from the *favelas* now affects Rio's drivers, who at night routinely run red lights, fearful of muggers who prey on idling cars. Police and prosecutors, meanwhile, are widely seen as corrupt and ineffectual. One anticorruption campaign ad, shown on TV, depicted rats gnawing away at the Brazilian flag.

Since losing one of their own, Brazil's aggressive news media is helping to make an issue of the long-neglected *favelas*. Last June, crusading journalist Tim Lopes sneaked into a *favela* near Maré, hoping to use a hidden camera to document sexual assaults by the local gang. Discovered by gang members, he was hauled away at gunpoint and sentenced to death by a kangaroo court. The gangsters sliced off his head with a samurai sword. Last week, the gangs apparently struck again: They stand accused of the midday murder of a publisher in central Brazil.

Shocked journalists have written stories and staged demonstrations, calling for investigations of the drug lords and the police they say protect them. But to little effect. "There is no political will to solve these murders," says Prof. Francisco Karam of the Federal University of Santa Catarina.

ABBAS—MAGNUM

In Rio de Janeiro's poorest districts, drug gangs rule—and they rule ruthlessly.

The roots of *favela* violence stem from the 1980s, when the cocaine boom that hit America's inner cities also steamrollered into Brazil's ghettoes. Flush with cash and black-market arms, the drug lords soon were running the place. Worse, while in jail the young men of the *favelas* met veterans of Brazil's urban guerrilla movement, Marxist rebels steeped in ideology and opposition to the state. "From the guerrillas they learned how to organize themselves," says Pedro Strozenberg of Viva Rio, a nonprofit group that works in the *favelas*. "They learned how to face official power, how to form cells and communicate clandestinely."

The most notorious federation of gangs, the Red Command, is in fact named after their communist teachers. But there seems little ideology in what the gangs practice. "It's becoming worse," warns Karam. "If something isn't done, Rio will be dominated by the drug dealers." For many who live here, it already is. ●

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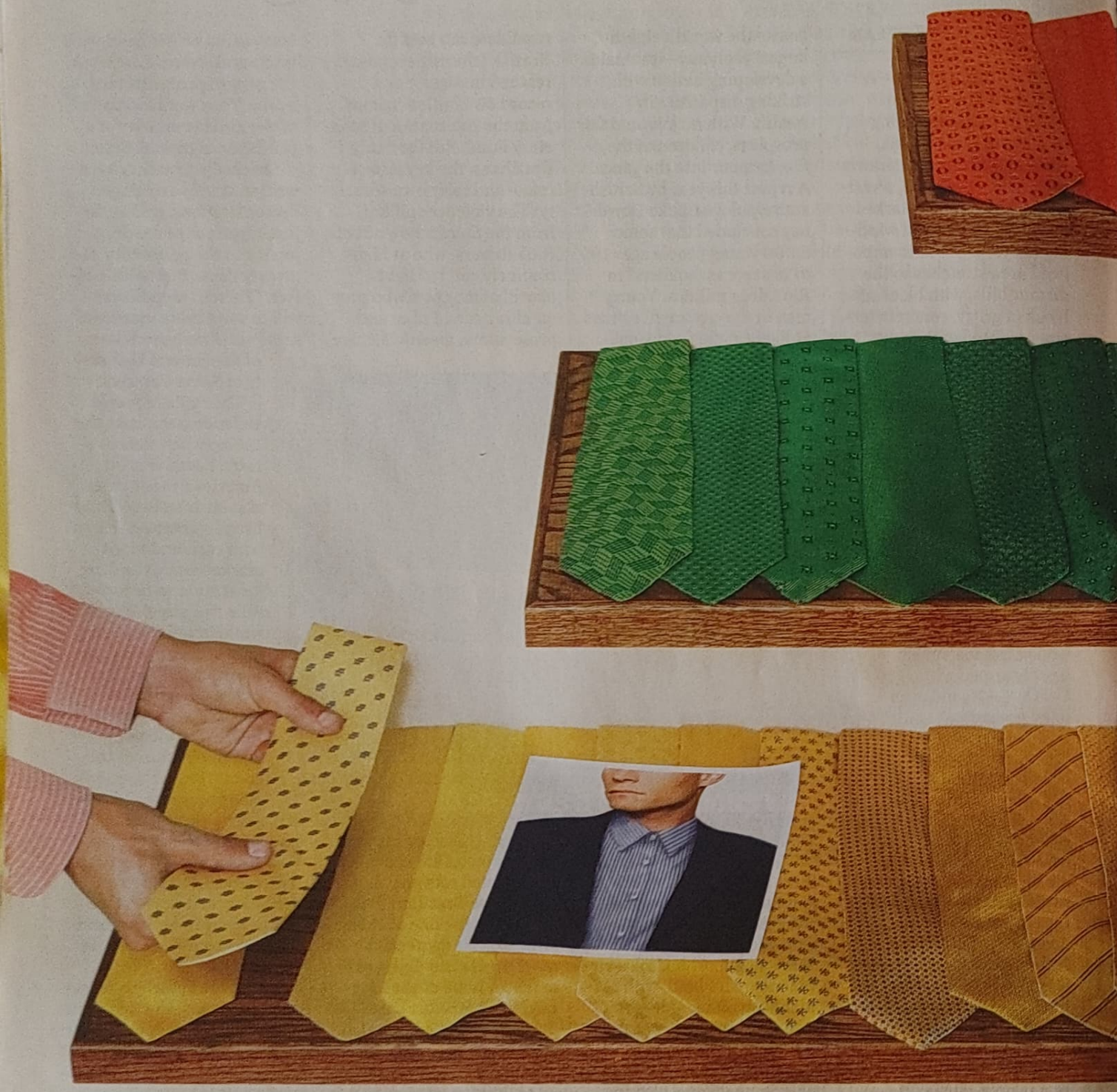

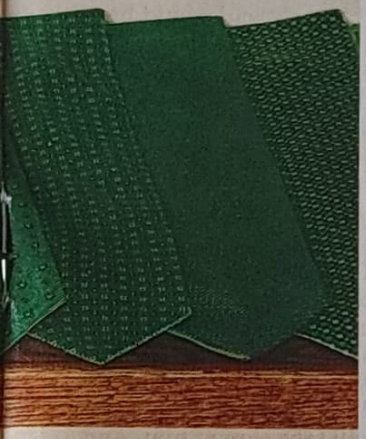

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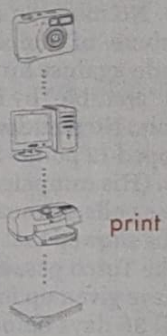

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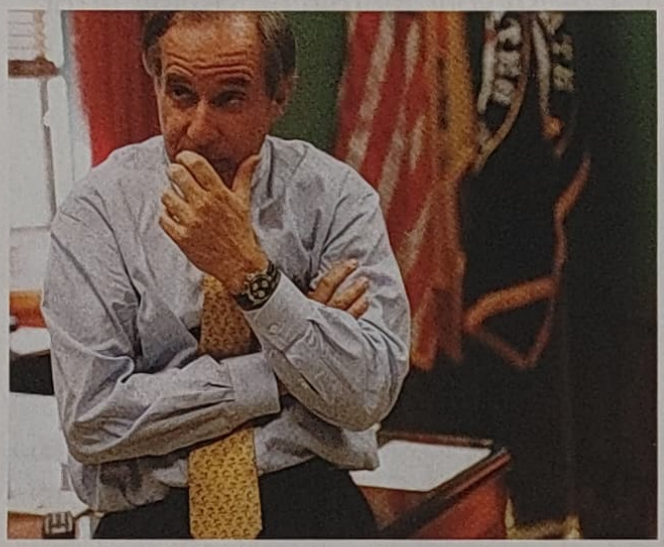
BY GLORIA BORGER

Winning at all costs

Just two weeks ago, Bob Torricelli was still collecting big chits in his battle for re-election in New Jersey. First, in a meeting at the Democratic National Committee, he got a promise of under a million dollars. The next day, from the Democratic Senate Campaign Committee, a pledge to pump about $10 million into his race. All this, on top of the $3 million or so that had already been spent. "He was sucking up the money and asking for more without any compunction," says a top Democratic Party strategist. "His thinking was, 'Look, I've done more than anyone else to get this majority. If I need more bucks and you have to take it from someone else, that's tough.' " No one needed to be reminded that he had run the campaign committee that eventually produced a Democratic Senate. "So who could argue with him?" the strategist asks.

Days later, Torricelli was miraculously transformed from mercenary to martyr. He could no longer live with his selfishness; he had to think of the others in the party first. He couldn't risk losing and taking the Democratic Senate—with its one-seat majority—down with him. "I will not allow it to happen," he said, choking back the tears as he disclosed his personal epiphany. He would have someone else run for the seat, because it was the right thing to do. No mention of the fact that some of the ethics charges made against him had been found "credible" by federal prosecutors. No mention that he had dropped 13 points in the public polls. (His campaign had derided those polls as "meaningless." Could it be because their internal polls showed that he had dropped 20 points?)



Sen. Robert Torricelli: transformed from mercenary to martyr

"A designated hitter for every politically injured candidate?"

And so The Torch passed. Faced with a daunting fight that he should have given up for the right reasons months ago, he waited until 36 days before the election and announced he wouldn't run for the wrong reasons. Happily for Torricelli, the state court enabled him to follow through with his plan. Whether the Supreme Court will again wade into the political shark tank and overturn that ruling is anyone's guess. Meantime, the candidate with the ethics problem has been able to tell the voters: Trust me. I'll do what's right for you.

Ends and means. Is this the future? A designated hitter for every politically injured candidate? New contenders chosen in backrooms and ratified by the courts? With Bill Simon in some trouble in the California governor's race, why shouldn't the Republicans recruit Schwarzenegger or Eastwood? Let's face it: The stakes have become so great that the notion of losing an honest political fight is now unacceptable. Torricelli's move "was all about holding on to power," says Mitch Bainwol, an admitted partisan as executive director of the National Republican Senatorial Committee. "It was an 'end justifies the means' trick at the very core."

Machiavelli would have marveled at its creative duplicity. Torricelli not only showed his concern about the Senate but in doing so curried favor with Democrats desperate to retain control. "This way, he goes out as a loyalist," says Rep. Tom Davis, the House GOP campaign chairman. "If he had not done this, his marketability in his next life would have gone down." No doubt about it, the party will take care of him. And what about Andrew Cuomo, who quit his losing gubernatorial primary fight in September? What reward is in store for his courage?

When Mel Carnahan died before his Missouri Senate race two years ago, his name stayed on the ballot because the voters knew his wife would serve in his place. And so a dead man beat John Ashcroft, fair and square. But it's not even about the candidates anymore. Consider: If Torricelli is interchangeable with replacement Frank Lautenberg, then Aaron Burr would have been interchangeable with Alexander Hamilton. Burr killed his archrival Hamilton in a duel. Torricelli once told his enemy Lautenberg, "I'm going to cut your [genitals] off." So far as we know, he never followed through. Besides, it's not that the Trenton trio (Torricelli, Sen. Jon Corzine, Gov. James McGreevey) didn't try to find someone else. But good candidates from the House were unavailable, and Lautenberg was willing, and able to finance much of his campaign.

The irony! The agony! The sacrifice! Torricelli was forced to bequeath his beloved Senate seat to a man he despises. Can this be the ultimate proof that all he really cares about is the good of the party? Hardly. Just wait and see if he gives Lautenberg one dime of his $7 million war chest. Don't hold your breath. ●

Gloria Borger is also a CBS News special correspondent.

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No Safe Harbor

Bonds may not be the refuge for investors

BY NOAM NEUSNER, KIM CLARK, AND PAUL J. LIM

If the Nasdaq party of early 2000 was a drunken bacchanal, the bond market's recent rally is the next day's church revival. Gripped by fears of deflation, war, and a diving stock market, investors are flocking to the dusty, musty world of the U.S. treasury bond.

Bonds are supposed to be safe and predictable, just the kind of tonic that investors need after getting yanked around by crooked CEOs and false profit promises. The problem is, so much money has flowed into the bond market, it's starting to look like the party it replaced—overcrowded and overhyped.

More money has gone into bond funds since the start of 2001 than in the previous decade. About half the $100 billion invested in bond funds this year has found its way into government bond portfolios, helping drive down treasury yields to their lowest levels since 1958. Attracted by rising prices, more new money went into government bond funds in July and August than in the prior 12 years combined.

"It's a mania," says financial planner Greg Schultz of Asset Allocation Advisors in Walnut Creek, Calif. During the bull market, clients beseeched their financial advisers to move more money into tech stocks. "Now, I'm feeling the same pressure the other way," says Los Angeles financial planner Phil Cook. "They're telling me, 'Get me into bonds. I'm tired of losing money.'"

The "smart money" is also rushing to the party. In the $3.4 trillion market for treasuries and savings bonds, U.S. households hold only $511 billion and mutual funds $120 billion more. The rest are bought by insurers, banks, and foreigners. They're acting little different from Nasdaq jockeys, flooding into bonds just because they've done well recently. For money managers whose pay is based on performance compared with their competitors, there's no such thing as too much caution right now. They'd rather be wrong with everyone else than be wrong by themselves.

Jitters. Unlike the Nasdaq bubble, however, the surge in bond prices isn't rooted in wild assumptions or crooked accounting. Government bonds, which are IOUs from Uncle Sam, are the province of conservative investors precisely because they return a steady income with little risk of capital loss. And bonds are uniquely suited to the times. They tend to do well when war is in the air, when inflation is low, or when investors fear the economy is going south. "We are in a market priced to perfection," says Robert Truesdell, manager of fixed-income assets at M&T Asset Management in Buffalo. The economy continues to give off signals of distress; payrolls—even in the usually strong services sector—fell in September, and retail sales have stalled.

Bonds are to investors now what gold was in the 1970s: an apparently safe place to park money until trouble blows past. Patrick Thibeault, a 44-year-old pipefitter from Rehoboth, Mass., always considered himself a "fairly aggressive" investor and stayed entirely in stocks throughout the 1990s. But after seeing his $75,000 retirement portfolio fall to around $55,000 in less than a year's time, he sold 15 percent of his stocks

GLOSSARY

Bond basics

CREDIT RATING. The financial health of a bond issuer, from high-risk "junk" status to AAA investment grade.

DURATION. A sign of a bond fund's sensitivity to interest rates. A fund with a three-year duration may lose 3 percent if rates rise 1 percentage point.

MATURITY. Years before the bond issuer must repay you.

PAR VALUE. Face value of a bond to be repaid at maturity.

YIELD. Annual rate of income from a bond.

and moved the money into two bond funds. Even Thibeault concedes the timing of his trade could prove shortsighted, at least in the near term. True, inflation is nowhere to be found, but yields on bonds are so low, there's little room for error should inflation start to rise. Based on current prices, investors are getting only a 1.5 percent after-inflation yield on a 10-year treasury note—less than half the premium investors were used to getting in the '90s, says Bondtalk.com strategist Tony Crescenzi. For bond investors to do better, deflation must take root in the economy. While that's not out of the question, it's far from certain.

In fact, the greater likelihood is that the economy is not doing as badly as bond investors think. Service-sector orders are moving up. Analysts figure the economy grew by 3.5 percent in the third quarter. And while most investors think the Federal Reserve's next move will be to cut rates, bond investors may want to consider the other scenario: higher rates, in response to renewed fears of inflation and rising federal budget deficits. Corporate profits might come back, making stocks a more attractive investment. And it's not as if bond investors would have a lot of time to react: Prior bond rallies have broken up in mere weeks, driving bond prices down by double-digit percentages in short order, says Crescenzi.

Mind the gap. Another risk: The bond market's recent rally may be a byproduct of the activity of one large bond buyer, rather than of economic fundamentals. In a quirk that usually fascinates only bond geeks, bond prices have recently tracked the market positions of mortgage giant Fannie Mae, which has been scrambling to keep up with a wave of refinancings prompted by slumping interest rates. The newer loans replace mortgages that carried higher interest rates—and therefore threaten income expectations on Fannie's $746 billion loan portfolio.

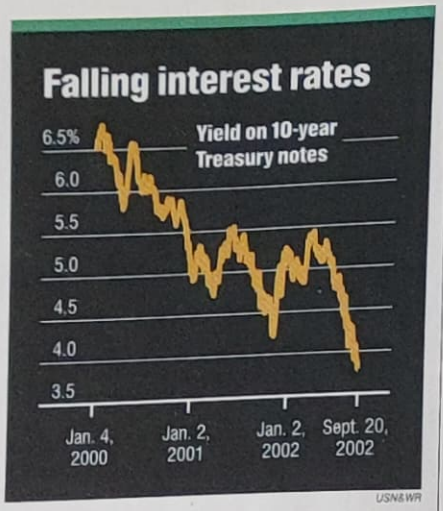
All of a sudden, everyday investors are grappling with the arcane concept of "duration gap." Fannie Mae makes money by buying mortgages, then selling its bonds to investors at a lower interest rate, and pocketing the difference. Ideally, homeowners pay off their loans at the same time that Fannie does, which keeps everything in balance. But when homeowners refinance and pay off their mortgages sooner than Fannie expects, a gap emerges. Unlike its more conservative cousin Freddie Mac, which keeps its gap close to zero, Fannie often allows its gap to exceed its goal of six months. In-

ILLUSTRATION BY STEVE MCCRACKEN FOR USN&WR

vestors were spooked last month when Fannie said its August gap had reached 14 months. Bond traders rushed into the market to buy up treasuries, since they figured Fannie would be doing the same to cover its mortgage positions. Fannie says it didn't buy treasuries but bought more mortgages and interest-rate hedges to reduce the September duration gap to 10 months. "We are in the best shape we've ever been in," says spokesman Chuck Greener.

But Fannie's moves and anticipation by other traders of even greater demand for treasuries helped drive yields down even further, sparking more mortgage refinancings in a kind of vicious cycle. "The entire mortgage industry is forcing volatility in the bond market," says Michael Roberge, head of fixed-income research at MFS Investment Management in Boston.

This is not just Fannie's headache. Because it and Freddie Mac enjoy the implied backing of the federal government,



they borrow money at more favorable rates. The worry: If the two lenders lose control of their portfolios, the feds would have to come to their rescue, precipitating another savings-and-loan-style crisis. They're "safe and sound," asserts St. Louis Federal Reserve President William Poole. But "some things currently happening are putting Fannie under greater strain," Poole says.

For individual investors, still reeling from the whiplash of the tech-stock bubble, this is all frighteningly familiar—namely, they are playing in a market they little understand. "This will end ugly," says Bondtalk's Crescenzi. The last major bond market bubble—in 1994—ended with the bankruptcy of Orange County, Calif., which bet wrong on falling interest rates. That year, nearly 9 of 10 bond funds lost money. That's why some experts believe the frothy bond market is sending a buy signal for another asset class: stocks. "It's human nature to avoid the loneliness of being the one buying in the area where no one is," says Bank One chief economist Diane Swonk. But those who seek safety in numbers may find themselves imperiled by the madness of crowds—again. ●

With James M. Pethokoukis

FIXED INCOME

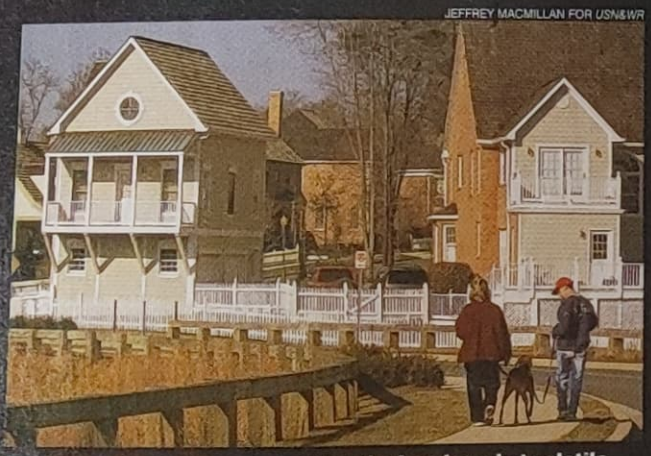
Bond fund pitfalls

NEWS YOU CAN USE

If you're thinking of seeking shelter from the market storm in bond funds, you may still get wet. A bond is a loan, for which the issuing company or government promises to pay you back in full at a future date—plus interest. That means there are two types of risk associated with bonds—the "credit risk" that the issuer won't pay you back and "interest rate risk."

Bond prices move in the opposite direction of market interest rates. When rates rise, the price of older bonds falls. After all, wouldn't a bond yielding 3 percent be worth less on the open market if newer bonds were paying out 5 percent? With an individual bond, you don't have to worry because you can hold the bond until maturity and recoup its face value.

JEFFREY MACMILLAN FOR USN&WR



Mortgage refinancings are making the bond market volatile.

That's not the case with a bond fund, which doesn't have a fixed maturity. The danger is that the price of older bonds in the fund will fall as rates rise. That happened big time in 1994, when 664 out of 761 taxable bond funds lost money.

This is a concept that nearly 7 of 10 investors don't get, according to a recent Vanguard survey.

Should rates rise in the near future from their current record lows, treasury bond funds, which have been posting sizable returns lately, will be hardest hit, says Mario DeRose, fixed-income strategist with Edward Jones.

Better deals. One way to avoid this risk is to buy individual bonds and hold them to maturity. But you may be better off with a certificate of deposit, since five-year CDs are paying out a full percentage point more than five-year treasuries.

If your income needs are greater, perhaps an investment-grade corporate bond fund would suffice. But stick with one that invests in short-term securities, says financial planner Phil Cook, as these are less vulnerable to rate swings. The Payden Short Bond fund has a "duration" of less than two years, meaning that if rates rise 1 percentage point, this fund is likely to lose just 2 percent.

For those with more guts, Eaton Vance chief economist Robert MacIntosh thinks "more value" lies with lower-quality but higher-yielding junk bond funds. But because of the credit risk, stick with a diversified fund.

Finally, there are mortgage-backed bond funds. True, record refinancings threaten their returns, as mortgages are prepaid before all the interest accumulates. But mortgage-backeds are yielding 2 percentage points more than treasuries. A conservative choice with less prepayment risk: Vanguard GNMA. *–P.J.L.*

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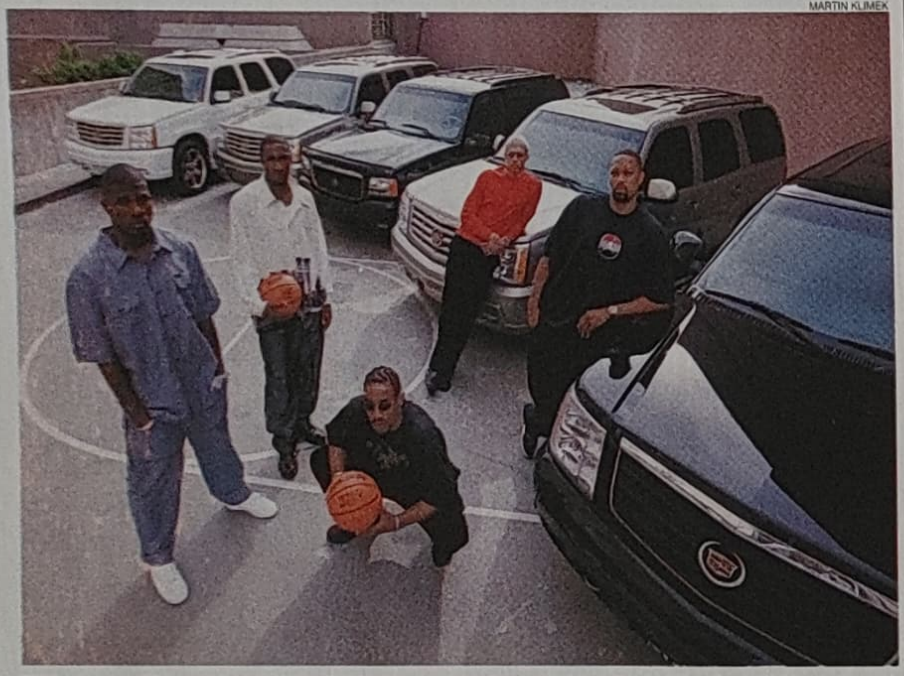
SUV to the stars

How General Motors is campaigning to make Cadillac a member of the in crowd again

MARTIN KLIMEK



NBA players like to show off their Escalades, as these Golden State Warriors did last year.

BY RICHARD J. NEWMAN

When Russell Crowe arrived at this year's Academy Awards, General Motors made sure the Oscar nominee stepped out of a beautiful car. But instead of a block-long limousine, GM lent the star of *A Beautiful Mind* a black Cadillac Escalade, GM's hulking, $50,000 SUV.

Cadillac isn't the only purveyor of pricey goods to woo celebrities. But the Escalade has achieved a buzz factor among trendsetters that is helping rejuvenate the dowdy image—and fortunes—of GM's luxury division. Ben Affleck, Adam Sandler, and Calista Flockhart own Escalades. So do pop stars Pink and Justin Timberlake. Several musicians have shown off their customized Escalades on MTV's *Cribs*, which tours the homes of celebrities. The hype is paying off: While GM's overall sales plunged 13 percent in September, Escalade sales rose 6 percent. "The Escalade has been an unbelievable story for us," says Mark LaNeve, Cadillac general manager. "It's pulling up the division from an image standpoint."

The star appeal isn't completely accidental. When GM remodeled the Escalade in 2001 and introduced the EXT—a version with a pickup bed—it hired Hollywood party maestro Jeffrey Best to throw a kick-off gig. He invited 750 Hollywood A-listers, with an emphasis on the young and sassy. Among the glitterati watching go-go dancers wriggle in an EXT's pickup bed: Leonardo DiCaprio, Brazilian supermodel Gisele, L.A. Laker Kobe Bryant, and heiress Paris Hilton.

Buzz factor. The purpose of such extravaganzas, says Escalade marketing director Susan Docherty, is not to sell vehicles but to generate coveted buzz. Feedback from the party was encouraging. Each guest received a party bag that contained, among other things, skimpy workout tees for women. Best reported back that the tees were showing up at trendy L.A. sports clubs. Docherty was elated: "Five years ago, to think that people in Hollywood would be wearing a T-shirt with the Cadillac wreath and crest. . . . Cadillac was not cool."

> **"It's the hottest truck on the street. It's like we're riding around in a house."**
>
> FAT JOE, *Latin rapper whose "Terror Squad" has purchased more than 20 Escalades*

Meanwhile, the carmaker plied celebrities with the Escalade, relying on an L.A. publicity firm to figure out which "taste setters" might be cut out for the chiseled SUV, then offering them a free loan for a week or so. But it's difficult to determine cause and effect between celebrity gushing and mainstream sales. "*Everybody* wants to get cars into the hands of celebrities," says Jeremy Anwyl, president of car-shopping Web site Edmunds.com and an L.A. resident. "The [Escalade] phenomenon happened on its own more than according to some grand plan." Not all the publicity is glowing. After a fracas this July between Philadelphia 76ers basketball bad boy Allen Iverson and his wife, Tawanna, police impounded an Escalade driven by her, seeking evidence of a crime. The charges against Iverson were later dismissed.

Still, Cadillac executives noticed a key sign that their buzz campaign was working: The Escalade started showing up in music videos by hot young stars like Usher and Cam'ron, with no prompting from GM. A few rap artists even sing about the Escalade. "It's the hottest truck on the street," says Latin rapper Fat Joe, whose "Terror Squad" entourage has purchased more than 20 Escalades. Fat Joe's personal vehicle is customized with 24-inch chrome wheels, a TV, and an advanced sound system. "It's like we're riding around in a house," he rhapsodizes.

The SUV's credentials with pop divas and rap stars may do little to jazz most Escalade buyers, whose average age is 50, but they influence another important set of consumers: buyers' children. "If the kids think it's cool, it's going to sell," insists Tim Martin, president of Alco Cadillac in Englewood Cliffs, N.J. With a mission to shed its grandfatherly reputation, Cadillac—whose average buyer is still 60—will take any kind of youth interest it can muster.

Like stars themselves, however, a vehicle's moment in the sun is often fleeting. Howard Drake, co-owner of Casa Automotive in Sherman Oaks, Calif., says some customers have already traded their Escalades for the even bolder Hummer H2. And the less flashy 2003 Lincoln Navigator narrowly outsold the Escalade in September. Cadillac hopes to regain the edge with a stretch Escalade this December. Cadillac also gave Warner Bros. about two dozen vehicles for use in the film *Matrix Reloaded*, due out next May, in exchange for a starring role for the Escalade. Anything for another shot at the Oscars. ●

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Attack of the freebie software

Microsoft still rules the desktop, but Linux variants are spreading fast

BY PAUL ANDREWS

By rights, GiftCertificates.com should be a Microsoft loyalist. Its CEO, Michael Ahern, is a former Microsoft executive. Its business, selling digital gift certificates, was built on Windows database and server technology. Still, the Seattle-based firm is considering switching to free Linux and open-source software. New license fees from Microsoft have put the bite on GiftCertificates' budget. Ahern won't supply an exact figure but says the difference "is hundreds of dollars on the Linux side versus tens of thousands of dollars for Windows."

Ahern is hardly alone in his dilemma. Chafing under what they call the "Microsoft tax"—license fees collected each time they upgrade personal computers and server networks—customers from the government of China to Europe's Ford Motor Co. division are switching to free software systems. Linux's penguin logo is cropping up all over. "Developing countries, software developers, [and] schools are embracing Linux more," says Phil Mogavero, president of Data Systems Worldwide, technology consultants. "Linux has the capability of creating a paradigm shift."

Posturing. So far, Microsoft is unruffled. "We don't see a Linux revolution happening out there," says Peter Houston, the software giant's chief server strategist. In his view, a lot of Linux advocacy is posturing by Microsoft customers hoping to negotiate a break on license fees. "As much noise as Linux has generated, we haven't seen it translating to people actually deploying it," Houston says. Moreover, Linux isn't as "free" as it sounds, Houston argues. Installation and training costs, ongoing support, and administration fees add up: "They might save on the operating system but get less for their dollar in the long run. It's a bit of a shell game." He cites Target as an example of a chain that converted point-of-sale software to Linux but returned to Windows.

Still, the roll call of customers moving toward open source is growing. IBM is pushing Linux for point-of-sale systems already adopted by Regal Cinemas theaters and Sherwin-Williams paint stores. Federal agencies such as the Federal Aviation Administration and the National Weather Service already use Linux servers, while the National Security Agency is backing a secure version. Governments from Germany and France to Mexico and Peru are studying open-source alternatives. China is working on an official "Red Flag" Linux version, and Taiwan is also promoting a localized variant. Microsoft plans a $750 million campaign in China, and Chairman Bill Gates recently flew to Peru to make a $550,000 donation—widely seen as efforts to blunt Linux's popularity by wooing young developers overseas.

"The market has fundamentally changed from 'Is Linux for real?' to an understanding of open source's value to an overall software strategy," says IBM's John Sarsgard, head of worldwide Linux sales.

Based on its kinship to Unix, the freely distributed operating system from AT&T that provided the Internet's underpinnings, Linux has long been popular with developers and on college campuses. Last year Apple released its new Macintosh OS X operating system built on another Unix variant. "All the alpha geeks I know

ILLUSTRATION BY ISMAEL ROLDAN FOR *USN&WR*

are running OS X," says Tim O'Reilly, a Unix book publisher. One reason is convenience: Developers who once did "real work" on Unix but needed a Windows computer for office tasks now can combine both pursuits in a single machine and operating system, O'Reilly notes. Ironically, Microsoft largely made the switch possible since its Office X software runs on Mac OS X. "If Microsoft pulls the plug on Office X, we'll know Linux is having a real impact," O'Reilly says.

As a network and Internet technology, Linux runs on more than 1 of every 4 servers, trailing only Microsoft's nearly 49 percent share of the server market. By contrast, Linux adoption on the desktop is still rare. It seldom comes preinstalled like Windows and uses unfamiliar text commands to get up and running. Windows-like interfaces such as Lindows and Lycoris Desktop/LX are available, joining applications suites such as OpenOffice and StarOffice. But reviews for all Linux desktop software have been mixed.

Even so, Linux may be picking up interest from end users. Erica Simon, a San Francisco State University psychology major "fed up with Windows crashing and doing weird things," switched to Red Hat Linux on a Dell notebook computer. She needed help from her programmer fiancé but says the learning curve "was not really that hard, and the benefits far outweigh any pain." Hoping to capture Windows refugees, Sun recently announced it would sell cheap Linux PCs. Wal-Mart sells $199 PCs loaded with Lindows, and PC "clone" dealers sell Windows-less PCs aimed at Linux users.

Special access. To combat the Linux cost advantage, Microsoft is offering to allow governments and universities to access parts of Windows source code and may give top developers access as well. The firm has also extended deadlines for the new pricing structure. And Microsoft still touts itself as the low-cost alternative to packages from Oracle and Sun. "Microsoft still looks good next to Oracle, but I don't think the new pricing structure's impact [on Web businesses] was fully thought through," GiftCertificates' Ahern says.

In a notable tone shift, Microsoft CEO Steve Ballmer last month called Linux "a serious competitor" that is forcing the firm to "justify our posture and pricing." Translation: Microsoft will try to prove its support, service, and reliability are worth the extra bucks. It's an ironic sentiment from a company that built market share largely by bundling or giving away software with the operating system: Today it's Microsoft's turn to complain about having to compete with "free." ●

MAKE OR BREAK

Picking Apple's future

Fall means apple picking. For tech types, this year's seasonal pick is between scenarios for Apple Computer's future: Will the firm flourish or fall from the industry tree? Ever since the 1990s, when Apple's refusal to license its operating system gave Microsoft control of the personal-computer market, prognosticators have predicted Apple's demise. A nearly 20 percent falloff in Apple's all-important school sales, says Giga Information Group research fellow Rob Enderle, means the end may be in sight. "They're losing enough market share to become another Atari, to cease to be viable."

But opinions on Apple are rarely mild, and some techies totally disagree. "Apple has never been better positioned to be more relevant in the PC business than right now," says Stephen Baker, information technology research director at NPD Intelect. Consumers' sated PC appetites, Baker says, mean CEO Steve Jobs's push to make Macs the hub of a digital lifestyle—photos, video, and music, all centered on his sleek machines—will pay off.

Identity crisis. The industry slump makes it tough to gauge any tech company's progress, but analysts' wildly divergent views suggest that Apple itself is suffering from an identity crisis. Its flat and puny 4 percent market share makes it no threat to industry leaders. Still, Apple is marketing itself aggressively to mainstream users—spending $117 million on the "Switch" ad campaign that touts Macs at the expense of Windows machines, for instance. Apple is also forging ahead with a plan to expand its still profitless chain of 41 retail stores to 50 by year's end. Spurring the strategy "is some ego about having lost the entire PC market to Microsoft," says IDC analyst Roger Kay.

There's even speculation that Apple might move from its Motorola PowerPC processors to Intel chips—thereby sharing the same underlying hardware as Windows machines. The need for speed is clear—Intel's fastest Pentium chip zooms in at 2.53 gigahertz, making Apple's premier 1.25 gigahertz look downright poky. But the move would blur the line between Wintel and Mac machines and probably infuriate Apple's fiercely devoted users. "To many Apple users, Intel and Microsoft are the evil empire," says NPD Intelect's Baker.

BRANT WARD—SAN FRANCISCO CHRONICLE / CORBIS SABA

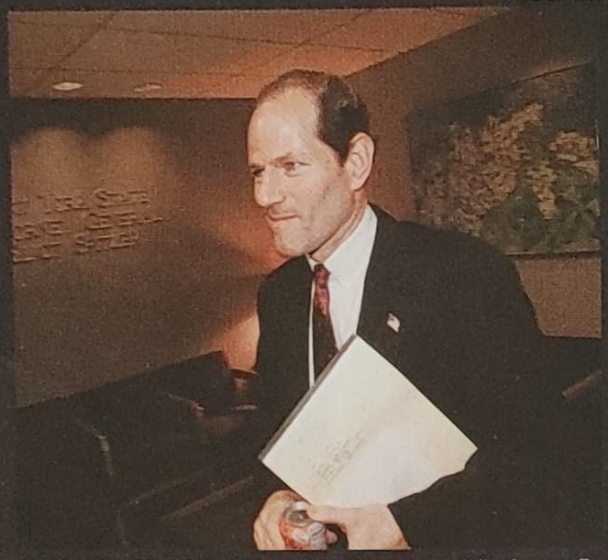
Steve Jobs aims his new iMac at the mainstream user.

Jobs says he's happy with Motorola processors. But Bear Stearns analyst Andy Neff predicts Apple will switch in two or three years, and company-watchers say Apple has already developed Intel-compatible software.

Apple's mainstreaming strategy may yet pay off; devotees recently bought a record number of its new Jaguar operating systems. Sales of its digital-music darling, the iPod, could hit $650 million next year, prompting some to suggest the firm may have a future in making peripheral gadgets for its computers. The digerati rumor mill, for instance, is whirring with talk that Apple may soon debut a combination personal digital assistant/phone. Now, how about them apples? *–Joellen Perry*

Spitzer digs for spun gold

CHIP EAST—SIPA



New York's Eliot Spitzer targets telecom stock "spinners."

The classic shell game involves a tosser, a shill, and a single rule of play: Only those in on the scam can win. The telecommunications game played by Salomon Smith Barney during the late 1990s was much the same, according to a lawsuit filed last week by New York State Attorney General Eliot Spitzer. The suit accuses five former telecom executives of "spinning": sending nearly $1 billion of investment-banking business to Salomon in exchange for shares of hot initial public offerings and glowing research reports about their own firms.

The lawsuit paints former Salomon analyst Jack Grubman as the game's shill. His flattering research was central to attracting clients like WorldCom and Qwest and inflating IPO shares the bank allocated to their executives. Citigroup, Salomon's parent, says it is in discussions with Spitzer's office to resolve the IPO and research issues. (Congressional investigators say Goldman Sachs is also guilty of spinning. It denies the allegations.)

Deep pockets. Spitzer seeks the return of $28 million the five executives made from reselling the IPO shares plus $1.5 billion they pocketed from sales of their own firms' stocks, also inflated by Grubman's research. But Grubman wasn't the only compromised analyst, Spitzer alleges: At a January 2000 "Best Practices" seminar, Salomon analysts were taught how to alter earnings forecasts to make them achievable by clients.

Telecom investors now know there was no pea under any of the shells. Or, as Grubman once put it, "most of our banking clients are going to zero." It was a rare—albeit private—accurate prediction. Share prices collapsed, even as Grubman continued to plug them. He rated Winstar a "buy" when it was at $40, again at $16, and yet again at $1, just weeks before the firm filed for bankruptcy. Grubman's spokesman denies any wrongdoing. That may not appease Salomon's own brokers, who, the suit says, in internal missives called Grubman "an investment bank whore" and rated him the worst of the firm's more than 100 analysts in 2000 and 2001, two years when his pay averaged $20 million. *–Matthew Benjamin*

What CEOs got from–and their firms paid to–Salomon

	PROFITS FROM IPO STOCK SALES	PROFITS FROM OWN STOCK	FEES PAID TO SALOMON
Bernard Ebbers, former WorldCom CEO	$11.5 mil.	$23.0 mil.	$107.0 mil.
Philip Anschutz, former Qwest chairman	$4.8 mil.	$1.4 bil.	$37.0 mil.
Joseph Nacchio, former Qwest CEO	$1.0 mil.	$226.0 mil.	$37.0 mil.
Stephen Garofalo, former Metromedia Fiber CEO	$1.5 mil.	n/a	$47.0 mil.
Clark McLeod, former McLeodUSA CEO	$9.4 mil.	$16.0 mil.	$49.0 mil.

Source: Office of the New York Attorney General

ROUND ONE

Feisty Fastow

Brought in handcuffs to a federal courthouse last week, Andrew Fastow went on the offensive. His lawyer, John Keker, blasted the ex-Enron chief financial officer's former colleagues, who "denied their own responsibilities, whispered false rumors, and often outright lied to discredit him." Some of those Keker had in mind may have their own troubles. Federal prosecutors say the investigation is far from over. *–Marianne Lavelle*

DAVID J. PHILLIP—AP

Fastow, handcuffed in Houston

LOOSE CHANGE

Global giveback

Congress grilled Global Crossing Chairman Gary Winnick over documents indicating he was well aware of his bankrupt firm's shaky finances. Winnick held out a $25 million olive branch—money to shore up his workers' retirement accounts. Considering the $734 million Winnick made selling his own stock, an ex-employee called the offer "having somebody pick your pocket and then offering to give you back the lint." *–M.L.*

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THE SMOOTHER, FILTERED

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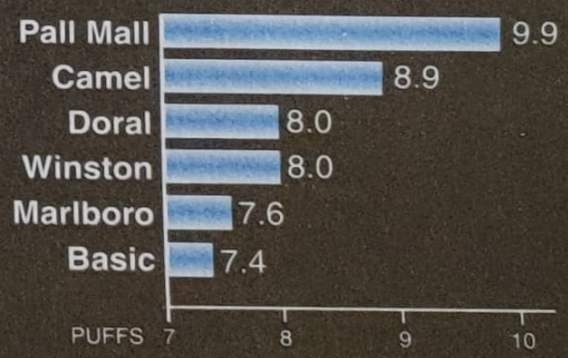
LASTS LONGER

Filtered Pall Mall gives you more puffs than other major brands



Avg. Puffs Per Cigarette
Source: B&W Analytical Test Results (FTC Method)
Comparison of Pall Mall, Marlboro, Winston, Camel, Doral and Basic King Size Filter Box

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The world has become a smaller place in the past few decades. Transactions take place across the world in an instant. Having a timepiece that can not only keep perfectly accurate time, but keep track of the time zones can be really helpful and convenient. Now there is a watch that can scientifically give you the right time in all zones within the 2,000-mile radio signal range.

If you travel—this watch is a necessity.

The Atomic Digital Watch from LaCrosse Technology is radio-controlled, maintaining its incredible accuracy by automatically reading from the official standard frequency and time transmitter in North America. This WWVB radio signal gets its time from the most precise clock in North America based in Colorado, and transmits its signal over a 2,000-mile range. When outside the range, the timekeeping operates off a 3-volt lithium battery. The Atomic Digital Watch gives you a selection of 24 time zones. This ultra-accurate radio-controlled timepiece has a perpetual day and date calendar, signal reception indicator and is powered by a 3-volt lithium battery expected to last three years.

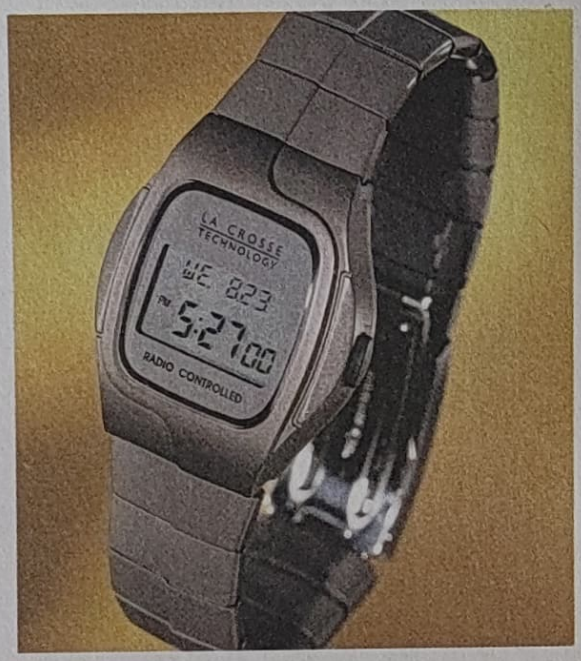
Radio wave technology

A timely gift.

In addition to its accuracy, the watch is water resistant, and has a battery-saving "OFF" function. The stainless steel butterfly clasp and removable links to adjust the band size make it a good fit. This watch is a great gift for anyone who values precision and technology.

Does anyone really know what time it is?

Well, the U.S. Government wants to, so they created the National Institute of Standards and Technology, a component of the U.S. Department of Commerce. The Time and Frequency Division, located in Boulder, Colorado, maintains the F-1 Fountain Atomic Clock, the nation's standard of time. This clock neither gains nor loses a second in 20 million years. This watch is the next best thing to having your own atomic clock, because it automatically displays the precise accurate time. It sets itself to the F-1 Fountain Atomic Clock using a working battery, it



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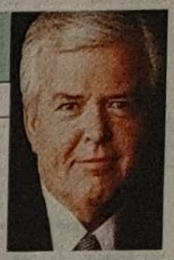
BY LOU DOBBS



Bad news bearers

Wall Street gurus and pundits told us the stock market had hit bottom in July. Now that the market has moved to new lows, they're desperately looking for any sign that the bloodshed may finally be over. The best that can be said, however, is that it's hard to imagine things getting any worse.

From its peak, the Dow has lost 33 percent or 3,967 points. Put another way, the Dow has lost more points in the past 2½ years than it had gained during the first 98 years in the index's life. The Nasdaq has fallen 76 percent (3,861 points) since its peak. The Nasdaq has lost more points since its peak in March 2000 than it had gained in the first 28 years of its life. This past third quarter was the worst performance for the Dow since the stock market crash of 1987. And if you're not sufficiently depressed, consider this astonishing statistic: The Dow last month lost 12 percent—its worst September since 1937.

Some $7 trillion has been lost in the stock market, but the fact is most of that loss has occurred on the Nasdaq. The index has lost more than $4 trillion since its peak in March 2000. And, despite the fact that the Nasdaq has a $1-a-share listing requirement, 17 percent of the stocks in it are now penny stocks. Two of the three most widely held stocks still reside on the Nasdaq—Cisco Systems and Microsoft. They've fallen 93 percent and 55 percent, respectively, since the Nasdaq's all-time high. But Microsoft has actually done better than the most widely held stock in the country—General Electric. GE's stock has fallen 81 percent since early 2000.

The news is smacking investors in the face.

Downbeat. No one is surprised that consumer confidence has plummeted in reaction to the market's collapse. The Conference Board's main index is down more than 30 percent from its early 2000 levels. There is so much gloom that we can look at another startling statistic as a positive, of sorts. New data from the Securities Industry Association show that the level of outright stock ownership has been lower than many think. Some 31.5 million Americans own individual stocks (as opposed to owning mutual funds or having retirement money invested in 401[k]'s). That's down from 32.8 million in 1999, and it's only 11 percent of our population. And that number is falling further. But there's actually some good news in that because it means there are fewer of us losing money each day as the market continues to tumble.

Conventional wisdom on Wall Street (and whatever wisdom there is on Wall Street is always conventional) holds that there must be capitulation in investor sentiment—absolute surrender—before a bottom can be reached and a new bull market begin. Pervasive gloom, in the view of Wall Street's soothsayers, is actually a positive—a sign of impending turnaround. If true, the market rebound—when it comes—should be a beauty.

Liz Ann Sonders, senior investment strategist at U.S. Trust, says that kind of rampant pessimism was missing during July's lows but may be evident now—a sign that we're close to a bottom. Sonders adds, "I think we still have a ways to go, but I think we're getting there."

Charles Pradilla, chief investment strategist at SG Cowen, notes that the market continues to be torn by tensions over Iraq, weak earnings, and corporate fraud. However, like Sonders, Pradilla also sees reasons to be upbeat. Among them: Interest rates remain low and progress has been made in cleaning up corporate accounting and cracking down on corporate crime—essential steps toward restoring investor confidence. "We're beginning to get a bottom, but it's not going to be a one-time thing," says Pradilla. "It may take until well into the first or even the second quarter of 2003. But, by and large, this is the bottoming process." He predicts either high single-digit or low double-digit returns for 2003 and 2004.

However, Merrill Lynch's chief strategist, Richard Bernstein, points out "that we will have reached a bottom when we stop asking that question. The fact that people are still looking for a bottom pretty much tells you we're not there yet."

And there are a number of disturbing signs that could signal even further weakness. Despite the devastating sell-off of the past 2½ years, stock prices are still inflated compared with historical norms, according to data from S&P's Sam Stovall. He points out the current price-earnings ratio for the Standard and Poor's 500 (calculated using historical, "as reported" numbers) stands at 31.4—that's nearly double the historical average, and it suggests our painful period of adjustment in the markets is not yet over. As I said, it's hard to imagine things getting any worse. But as we've learned, that doesn't mean they won't. ●

JOANNA MICHAELIDES—NONSTOCK

PORTRAIT: BISHOP WILTON GREGORY

'The Real Deal'

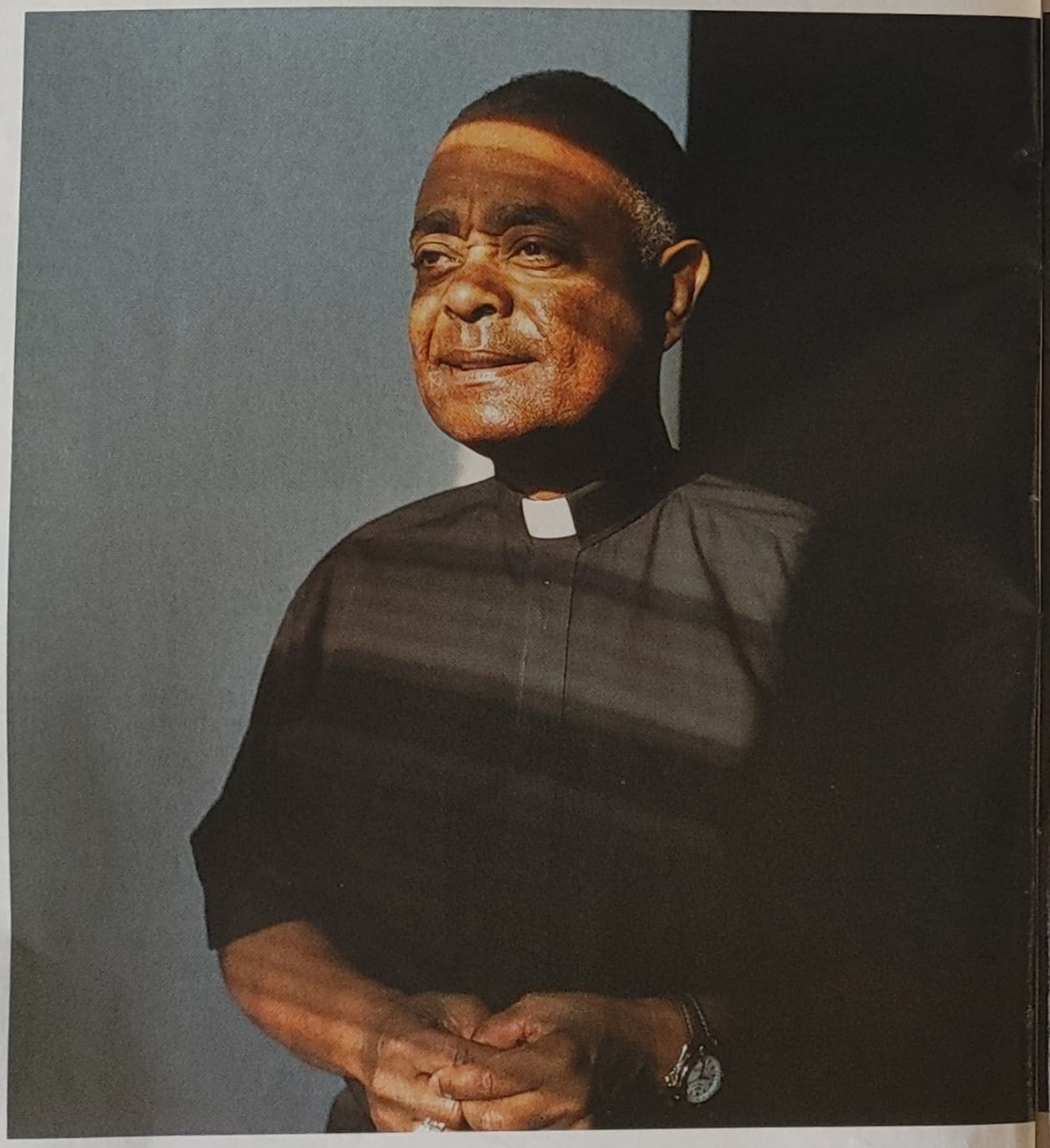
BY JEFFERY L. SHELER

BELLEVILLE, ILL.—Sunlight filters through the stained-glass windows of St. Peter Cathedral where Wilton D. Gregory, the bishop of Belleville, is singing the Eucharistic liturgy. The crowd for morning mass is bigger than usual, the pews filled with business leaders on hand for the bishop's annual prayer breakfast. And the bishop, in a green robe and gold-trimmed stole, is in good form. His rich tenor voice rises and falls with the phrasing and vibrato of a trained soloist. "He's the only priest I know who can actually sing," one worshiper whispers to another.

At the eggs-and-potatoes breakfast in a gym across the street, Gregory works the tables like a seasoned pol, laughing, chatting easily with his flock, greeting many by name. It's clear from conversations that he is among friends. He strikes many as a bishop unlike any they had ever seen: personable, approachable, genuine. "He's the real deal," says William P. Johnson, an insurance adjuster in the diocese. And as president of the U.S. Conference of Catholic Bishops, he is regarded as something of a celebrity. "If you people in the media keep writing about him," Paul Biegler, a Belleville dentist, chimes in, "they're going to make him a cardinal and take him away from us."

The media spotlight is a result of what happened in a far different venue in June. Then, in a hotel ballroom in Dallas filled with cardinals, bishops, and reporters, Gregory stood and articulated a message that no one in the American church hierarchy had seemed willing to utter in the preceding months of a festering sex-abuse scandal. "We are the ones," he told his fellow bishops, "who allowed priest abusers to remain in ministry and reassigned them to communities where they continued to abuse. We are the ones who chose not to report the criminal actions of priests . . . [and who] responded to victims and their families as adversaries and not as suffering members of the church."

Zero tolerance. Gregory's *mea culpa* struck many both inside and outside the church as a breath of fresh air. The bishops went on to adopt a "Charter for the Protection of Children and Young People"—a mandatory zero-tolerance policy to rid the priestly ministry of sexual molesters. Largely as a result of the Dallas

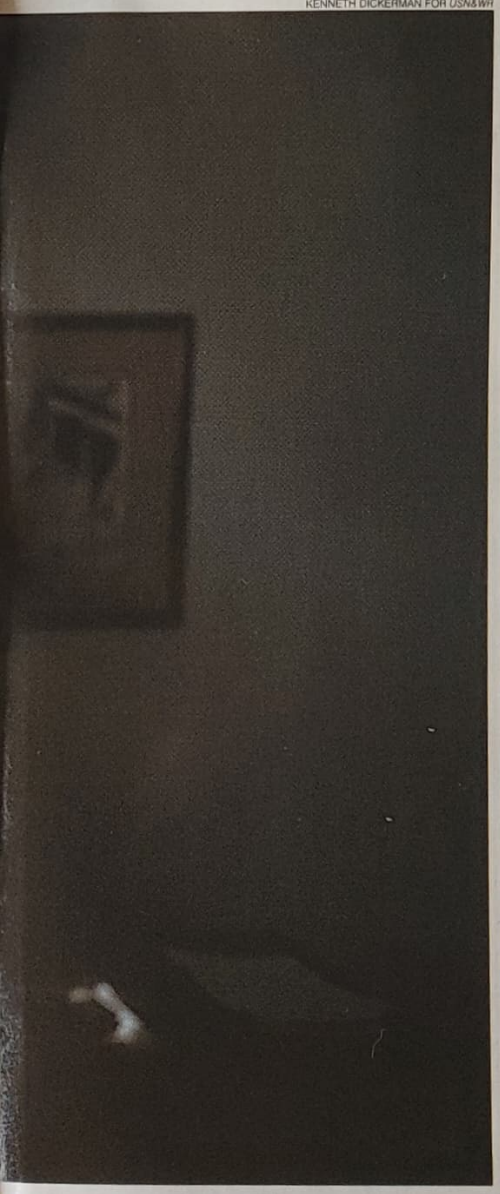


resolution, this year's count of suspended priests numbers more than 300.

It was also Gregory who rushed to Rome last spring to convince a seemingly disengaged Vatican of the magnitude of the scandal. He returned with assurances that Pope John Paul II was "willing, anxious, and eager" to help the U.S. bishops resolve the mess. And now, with the Vatican expected to announce within days whether it will ratify or undercut that policy, Gregory again finds himself at center stage—a role he relishes. "I consider myself fortunate," he says, "that God has put me in a position to be of service to this church at a unique moment of our history."

In some ways, Wilton Gregory seems an unlikely candidate to lead the American church out of perhaps its darkest hour. At 54, he is a relatively young bishop from a rather obscure diocese, a hunk of southern Illinois known more for corn and coal than Catholicism. He is the first African-American to be elected president of the 287-member U.S. Conference of Catholic Bishops, traditionally a clubby white men's fraternity. But his record of candor, his no-nonsense efforts to root out sexual abuse in his own diocese, and his unquestioned loyalty to the Vatican have earned him wide respect across the spectrum of the church.

KENNETH DICKERMAN FOR *USN&WR*



Gregory grew up in a working-poor neighborhood on Chicago's South Side. His parents, who were not Catholic, divorced when he was a child. He was raised by his mother, who earned extra money singing radio ads for Aunt Jemima pancake syrup, and by his maternal grandmother, who had attended a Catholic boarding school in Milwaukee. When he turned 11, his mother enrolled him in a South Side parochial school and he began attending mass. He swiftly fell in love with the pomp and ritual of the Roman Catholic Church. Soon he was telling anyone who would listen that someday he would become a priest. He smiles now as he recalls the reaction of his pastor, the Rev. John Hayes: "Do you think it would help if you become a Catholic first?"

He and his mother were baptized shortly thereafter. He went on to a Catholic preparatory seminary, to Loyola University Chicago, and to Saint Mary of the Lake Seminary in Mundelein, Ill. Later, he earned a doctorate in Sacred Liturgy at the Pontifical Liturgical Institute in Rome. At 25, he was ordained a priest in Chicago, and by 35 had become the youngest auxiliary bishop in America, working in the Chicago archdiocese under Cardinal Joseph Bernardin, who would be his mentor. "The cardinal taught me, not so much by what he said," Gregory says, "but by the way he lived." Nearly six years after Bernardin's death, Gregory on occasion still turns to fellow clerics and says, "Here's what I think Joe would do."

As an auxiliary bishop in Chicago, Gregory was called upon to close 34 parishes in decline. First to go was St. Carthage, the parish he had entered as a child. "It was tough. There were still some of the little old folks I remembered. But I just had to suck it in and do it. Being a bishop involves doing hard things. I just didn't know back then how hard or how many."

Belleville preview. When he arrived in Belleville in 1994, he found the diocese embroiled in a sex scandal involving priests abusing minors, allegations of homosexual prostitution, and other clergy misconduct. Eight priests and a deacon already had been removed by his predecessor. Within his first six months on the job, Gregory suspended an additional six, met with victims and their families, and took the heat from the local press.

As difficult as those experiences were, Gregory says, they helped prepare him for what he faces now: trying to help guide the church through a period of difficult changes. Yet he rejects the label of a reformer. "The church is always going through some type of reform, and if I can be of assistance, then I'm pleased," he says. "But to say 'a reformer' like I have a plan? No." The very fact that the church has "suffered such a public embarrassment," he says, "may itself be part of a reforming moment. Perhaps we needed to be knocked down a few pegs, to come into communication with our own fragility."

Though he drew high praise for his handling of the sex-abuse scandal, Gregory also has plenty of critics. He's been called timid and "a company man" by some who criticize his unwillingness to take up broader issues that they believe are at the heart of the sex-abuse scandal: priestly celibacy, the role of women in the church, and the disciplining of bishops who abet abusive priests. "There are certain prerogatives that belong to Rome that we bishops cannot usurp," Gregory says. "A bishop can offer his resignation, but only the Holy Father can accept it."

Gregory considers himself a centrist: theologically conservative but progressive on social issues. It's a description borne out by the fact that he has detractors on both the church's right and left wings. The Rev. Richard John Neuhaus, neoconservative editor of the

BIO

"God has put me in a position to be of service."

BORN Dec. 7, 1947, on Chicago's South Side

EDUCATION Loyola University Chicago; St. Mary of the Lake Seminary, Mundelein, Ill.; Pontifical Liturgical Institute, Rome

CAREER Ordained a priest, Chicago, 1973; ordained auxiliary bishop, Chicago, 1983; installed as bishop of Belleville, 1994; elected president of the U.S. Conference of Catholic Bishops, 2001

public affairs journal *First Things*, says the Dallas meeting was "a public relations gambit" aimed at "getting the bishops off the hook and the scandal off the front pages." While Gregory "kept the bishops on message," says Neuhaus, "it was the wrong message. This is not a pedophilia crisis. It's a crisis of infidelity" to traditional church teachings.

On the other hand, the Rev. Richard McBrien, a Notre Dame theology professor and a leading liberal voice in the church, says the bishops did not go far enough in Dallas. "It's a dodge for Gregory to say, 'No one but the pope can remove a bishop,'" says McBrien. "He should have gone quietly to some high-profile churchmen who violated their trusts and urged them to resign. That's what a leader does."

Outside the box. Gregory takes the criticism in stride. "I don't think being an insider, being in the heart of the church, is a negative thing. I've been chosen by the Holy Father to share this apostolic office. I intend to do it as faithfully and as completely as I can." Still, he says, "if I can think outside of the box, then I'm going to think outside of the box."

If the Vatican undercuts the bishops' zero-tolerance charter, Gregory is likely to find his ability to think outside the box tested anew. He insists that he is "as dependent on the rumor mill as everyone else" regarding what the Vatican will decide. Official word, he says, will be delivered in writing, probably to the papal nuncio in Washington.

The latest unofficial word, he says, is that the Holy See will grant "provisionary approval" to the charter, thus giving it the force of church law, at least temporarily. "That's a much more pleasing rumor to me, obviously, than earlier rumors that they would reject it," Gregory says. But it would mean the U.S. bishops will have to rewrite the plan, perhaps incorporating new safeguards for the rights of accused priests, in order to get full Vatican approval. The contentious process could take months.

Whatever the Vatican decides, Gregory seems confident the church eventually will emerge from the crisis vibrant and strong. "I think the credibility of the bishops will be restored," he says, "but I don't think it will ever be back to where it was." In the meantime, he finds himself thinking often of what his grandmother told him long ago in Chicago. "She said the Lord will never place a cross on your shoulder too heavy for you to bear. I'm counting on that." ●

LIBRARY OF CONGRESS

NEW WORLD. A detail, showing South America, from 1507's Waldseemüller map

A new wrinkle

Did someone else discover Magellan's strait?

BY JAY TOLSON

Pity Ferdinand Magellan. Several months ago, British amateur historian Gavin Menzies suggested that a Chinese fleet circumnavigated the world more than a century before the Portuguese mariner did. A book presenting the scholar's case, *1421: The Year China Discovered the World*, hits the bookstores next month. This week, at the Library of Congress, another Magellan "first" is being challenged. Former CIA analyst Peter Dickson will deliver a paper—also appearing in the upcoming issue of *Exploring Mercator's World*—exposing what he calls "the best-kept secret in human history."

According to Dickson, at least 15 years before Magellan's 1520 passage through the strait at the bottom of South America that bears his name, a Portuguese expedition made its way to the west coast of the New World and sailed north as far as Acapulco. Its findings were kept secret, Dickson believes, because Lisbon did not want to provide intelligence to the rival Spanish, in whose service Magellan sailed on his voyage of 1519–21. But the information leaked out to European cartographers.

As primary evidence, Dickson points to the Waldseemüller map, made by Germans in Lorraine in 1507, the last known copy of which the Library of Congress holds and hopes to buy. Known as the "baptismal certificate of the New World" because it is the first map on which the name "America" appears, it is also remarkable for being the first to show that there were two distinct oceans and that the western one was a wide expanse of water separating America from Asia.

Too good. But the feature most puzzling to Dickson was the map's depiction of the western coastline of South America. The more he studied it, correlating its longitude-latitude grid with that of modern maps, the more he felt that information based on "direct observation" had to inform the depiction of such details as the "sharp angle shift in the coastline where Chile and Peru meet."

As further, noncartographic proof, Dickson quotes the account of one of Magellan's men: "He knew where to sail to find a well-hidden strait, which he saw depicted on a map in the treasury of the king of Portugal." And that map, like the Waldseemüller, probably drew on a pre-1507 Portuguese expedition to the other side of the New World.

"Correlation does not equal explanation," says geographer David Woodward, who awaits "other major archival evidence" before he gets excited about the hypothesis. But Kenneth Nebenzahl, a historian of cartography, is more generous: "I can't endorse Mr. Dickson's theory, but he has forced me to ask why I didn't ask that question when I wrote my last book." ●

SMALL WONDER

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Adios, Enrique?

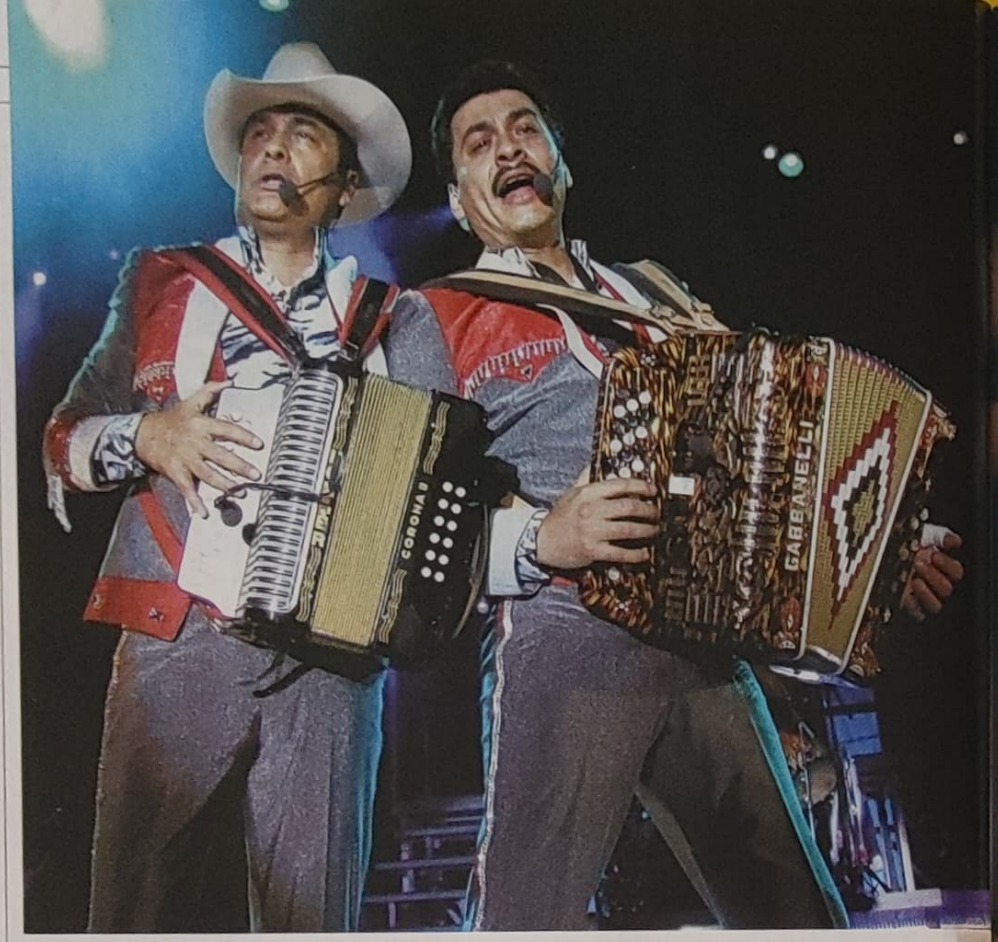
Traditional Mexican music outsells Latin pop—with accordions

BY DAN GILGOFF

Spanish heartthrob Enrique Iglesias—the world's bestselling Latin recording artist—shot to the top of *Billboard*'s Latin chart last month on the strength of his new single, "Mentiroso," or "Liar." Fitting, because it landed at No. 1 via a rather devious route. In addition to recording "Mentiroso" in the usual glossy pop format, Iglesias released two distinctly Mexican versions: one with a mariachi-inspired trumpet section and another with an accordion and a revved-up tempo reminiscent of northern Mexico's rural dance music, *norteño*. An outsider probably couldn't tell the difference, but most of the nearly 9 million Mexican immigrants living in the United States can. And since many stateside Mexican radio stations wouldn't have played the pop take, "Mentiroso" wouldn't have stormed up the charts without its Mexican renditions.

Iglesias's south-of-the-border stylings are in direct response to a boom in traditional Mexican music in the United States. Last year, *norteño, banda* (brass band music), Tejano (Mexican folk with American country and pop influences), and a half-dozen other subgenres raked in around 50 percent more revenue than Latin pop. Partly because regional Mexican albums are often sold at outdoor markets and mom and pop stores, their commercial success wasn't widely known until record companies started reporting their sales last year.

Many in the regional Mexican field say their blue-collar songcraft, despite its popularity, is snubbed by Miami's Latin pop establishment. At this year's Latin Grammy Awards, the traditional Mexican delegation was dwarfed by Latin pop personalities (and gringos like Justin Timberlake). Record labels hew to Latin pop in hopes of crossing over to Anglo audiences, as did Ricky Martin and Shakira. "If you're trying to show that Latin music is a hip, modern style," says Elijah Wald, author of *Narcocorrido: A Journey Into the Music of Drugs, Guns, and Guerrillas*, "do you want to use guys in cowboy hats holding accordions?"



TRADITION! Los Tigres del Norte play a benefit concert in Los Angeles; *narcocorrido* artist Lupillo Rivera.

Gone country. To regional Mexican fans, the Stetson and sqeezebox signify rural purity. Many immigrants seek the kind of Mexican music that Wald calls "self-consciously archaic," played by white-suited troupes like Los Tigres del Norte, formed in the 1960s. Most bands rely on instrumental lineups that date to the music's 19th-century country roots, like the pairing of the accordion and *bajo sexto*, a 12-string bass guitar. "I've proposed different versions of *norteño* songs to get a higher place on the charts," says Miguel Trujillo of EMI Latin. "But the groups say their audience will feel neglected."

Mainstream crossover fodder it's not, but the genre's commercial success has spurred a flurry of books, such as the *Billboard Guide to Tejano and Regional Mexican Music*, that open up the music to non-Mexican audiences. Earlier this year, the Smithsonian unveiled a traveling exhibit on Mexican *corridos* (narrative storysongs). But fans say it's difficult to grasp the music without attending the dance halls that stage bands like Los Temerarios and Conjunto Primavera. "This is not sit-down music," says Guadalupe San Miguel, a University of Houston history professor. "There's no way to approach it unless you learn the steps."

Or just wait for it to be co-opted by urban youth. Last year saw major chart success for two young, Los Angeles-based regional Mexican singers—Jessie Morales and Lupillo Rivera—with support from Mexican-American youth who don't necessarily speak Spanish. "There's an acute consciousness that L.A. has become a Mexican city," says Wald. "Which means, for the first time, that it's cool to like Mexican music." The pair specialize in *narcocorrido*, a kind of Mexican counterpart to gangsta rap that glamorizes drug trafficking. Morales is reportedly hoping to record a rap album in English—which could prove to be a crossover of a totally different kind. •

FROM TOP: ALEXANDER SIBAJA—GETTY IMAGES; ALEJANDRINO GONZALEZ—NOTIMEX

GLOBAL VISION

Colorized MRI scan of the human brain.*

Colorized picture of a flower petal and pollen grain taken through an electron microscope.

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*The focus has been intentionally adapted for this advertisement.

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He shoots first and asks questions at the same time

Militia members packing M-16s Michael Moore could deal with. Doorknobs were more problematic for the usually fearless filmmaker, who sought to test the claim that Canadians don't lock their doors at night—or ever. So in his new documentary *Bowling for Columbine*, Moore crossed the border to try his luck at random houses. "Three times I chickened out," he recalls. "I was thinking, 'I'm going to get shot.' "

Moore's 1989 film *Roger & Me* made him a cult figure; this year's bestselling book *Stupid White Men* inched him closer to household fame. But *Bowling*, an investigation-meditation on American gun culture, could be the big one for Moore. In May, the film was the first documentary accepted for Cannes's main competition in 46 years, and the festival created a special prize just for Moore.

Before making *Bowling* (named for the Columbine shooters' early-morning activity), Moore blamed gun violence on the number of firearms in the country. Now, after hundreds of hours of research, interviews, and gonzo experiments, he has no answer to the movie's central question: How can Canada have 7 million guns yet a fraction of our murder rate? "We've got something inherently wrong with our American psyche. What if it's genetic?" he says. "We're better than this."

His antic tactics leave his subjects (and the audience) struggling for answers as well. When he attempts to "return" the bullets lodged in two Columbine survivors to Kmart corporate headquarters, he's met by befuddled publicists. He returns the next day with reporters, and the company announces its intent to pull handgun ammo from its shelves. Moore even tracks down Charlton Heston (with the aid of a Hollywood star map) and sets up an interview with the National Rifle Association president, who, to Moore's shock, blames "mixed ethnicity."

Acting out. His critics call such escapades shameless self-promotion, but Moore says he does what the rest of the media won't. "It has to come down to a guy in a baseball cap," he says. And the ubiquitous hat is an asset, says Harvard film professor Robb Moss. The everyman persona gives Moore's work a narrative edginess often missing in other documentaries. "The idea that he fictionalizes himself as a character gives him room to construct an entertaining story," he says.

But amid *Bowling*'s serious subject matter, even the brazen Moore takes a back seat to the material. His ribbing of a local security expert ended when the man chokes up over Columbine. Moore is no longer a ridiculing reporter. He's just another helpless bystander. *–Vicky Hallett*

Filmmaker Michael Moore is gunning for answers in *Bowling for Columbine*.

BOOKS

Her brilliant career

Mineko Iwasaki, the celebrated former geisha who inspired Arthur Golden's 1997 bestseller *Memoirs of a Geisha*—then sued him for misrepresenting her craft—gives her own account in **Geisha: A Life** (Atria). She gracefully describes such far-from-sensational rituals as her first official task at age 6: cleaning the toilets. *–Holly J. Morris*

DVD

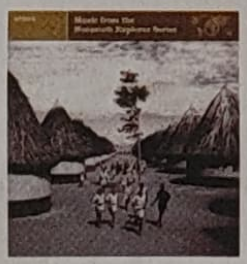
Start getting real

How many reality TV stereotypes got their start in 1992, on MTV's **The Real World: New York**? The southern fish out of water. The sullen black man. The narcissistic model/actor. The comparatively sensible gay guy. Only in this series, the seven roommates picked to live in an impressive Manhattan loft are still naive enough to act like normal human beings, because they had no idea of the celebrity the show would bring. Though the original broadcast's soundtrack of contemporary hits has unfortunately been replaced with anonymous elevator music, this DVD set is the real deal. *–Kenneth Terrell*

MUSIC

Out of Africa

In the late '60s, a nascent classical music label called Nonesuch began distilling far-flung field recordings from dozens of musicologists into 92 vinyl records that introduced westerners to the Ghanaian calabash-xylophone and Burundi's thumb pianos. Nonesuch is now reissuing the breakthrough albums on CD (end date: 2005). Start with **Africa: Music From the Nonesuch Explorer Series**, a compilation that's a crash course in African polyrhythm, delivered on talking drums, bone rattlers, and the sides of kerosene cans. *–Dan Gilgoff*



TOP: UNITED ARTISTS

BY JOHN LEO

Campus hate parade?

Is America's campus culture becoming antisemitic? Abraham Foxman of the Anti-Defamation League says no. A recent ADL survey reported that the percentage of antisemites on campus is low—3 percent of students and 15 percent of faculty. (Why the teachers should be five times as bigoted as their students is an interesting question.) On campus, a different question is being asked: Can't you oppose Israel's policies without being called an antisemite? Of course, but anti-Israel rallies at colleges often bristle with contempt for Jews, and antisemitic incidents seem to be on the rise. If this were happening to Muslims, there would be a national uproar.

Consider some signs of the times: a pig's head left at the door of the Hillel building at Indiana University, swastikas on a Jewish structure at the University of Colorado, a Hillel center window smashed with a cinder block at the University of California–Berkeley, and "F - - - the Jews" written on the building. At the University of California–San Diego, an annual "Anti-Zionism Week" (recently given a more upscale name—"From Oppression to Liberation Week") is supported by student fees. "Very, very antisemitic stuff" circulates on the San Diego campus, one Jewish student said, including the *Protocols of the Elders of Zion* and a fake Talmudic quotation giving permission for Jewish males to violate any non-Jewish female over the age of 3. At the University of Chicago, a Jewish student group said, "Jews are being mistreated and intimidated on campus . . . antisemitism has been made acceptable, even fashionable, by a long process of academic delegitimizing of Israel and Judaism." Chris Silver, cochair of the Israel Action Committee at Berkeley, said something similar: "There's a lot of antisemitism that goes on here separate from the massive amount of anti-Israel sentiment that can be found in every department and in every classroom." (Off campus, too. Amiri Baraka, New Jersey's poet laureate, is in the news for antisemitism again, this time for some doggerel implicating Jews in the 9/11 terrorist attacks.)

"Antisemitic incidents seem to be on the rise."

No room on the bus. An op-ed writer at the *Detroit News* asked, "When did antisemitism lose its seat on the bus of political correctness?" He meant, why doesn't the PC culture protect Jews? The answer is that seats on the PC bus are reserved for certified victim groups, but Jews don't count. They have been historic victims for centuries but are doing too well in America to qualify as officially aggrieved. And as Muslims have been welcomed into the grievance culture, the status of Jews on campus, the stronghold of PC, has become problematic.

Israel itself is often seen as an intolerable colonial outpost, planted in the historically victimized Third World by the West. The thing that most Americans admire about Israel, that it has many of the same features as the United States—free speech, an open society, democratic institutions—makes it a natural target of America-hating campus sentiment. Hostility to Israel was a strong feature of the New Left in the Sixties as it is of the campus left today. And as *Boston Globe* columnist Cathy Young pointed out last week, sympathy for the Palestinians, even when they are blowing up Israel's women and children, "stems largely from the knee-jerk instinct to romanticize the 'wretched of the Earth.' "

Anti-Israel activism on campus is mostly the work of Muslim students and the far left. Some of the ugliest incidents have occurred in the San Francisco Bay area, where the left is unusually strong. At Berkeley, Silver says, "Instead of rallying behind Iraq, the hard left here tends to keep focusing on Israel."

So do the sponsors of an anti-Israel conference that will start October 12 at the University of Michigan. They condemn the "racism and discrimination inherent in Zionism" (which seems to mean that Israel is an illegitimate state that will have to go) and refuse to criticize the suicide bombings because "it is not our place to dictate the strategies and tactics adopted by the Palestinian people."

The primary carrier of the "Israel is illegitimate" message on campus is the movement to get universities to stop investing in corporations that do business in Israel. Divestment won't happen, but a slanderous point is being made, that Israel is a hopelessly racist state, the one nation in the world that must be singled out for financial punishment. The divestment movement is the successor to last summer's atrocious U.N. conference on racism, which surveyed the entire world but chose to focus on only one "racist" state, Israel. For the backers of divestment, political opposition to Israeli policies isn't nearly enough. No, the only open, democratic nation in its part of the world must be isolated as a pariah. Is this what people on campus really want? ●

ILLUSTRATION BY HAL MAYFORTH FOR USN&WR

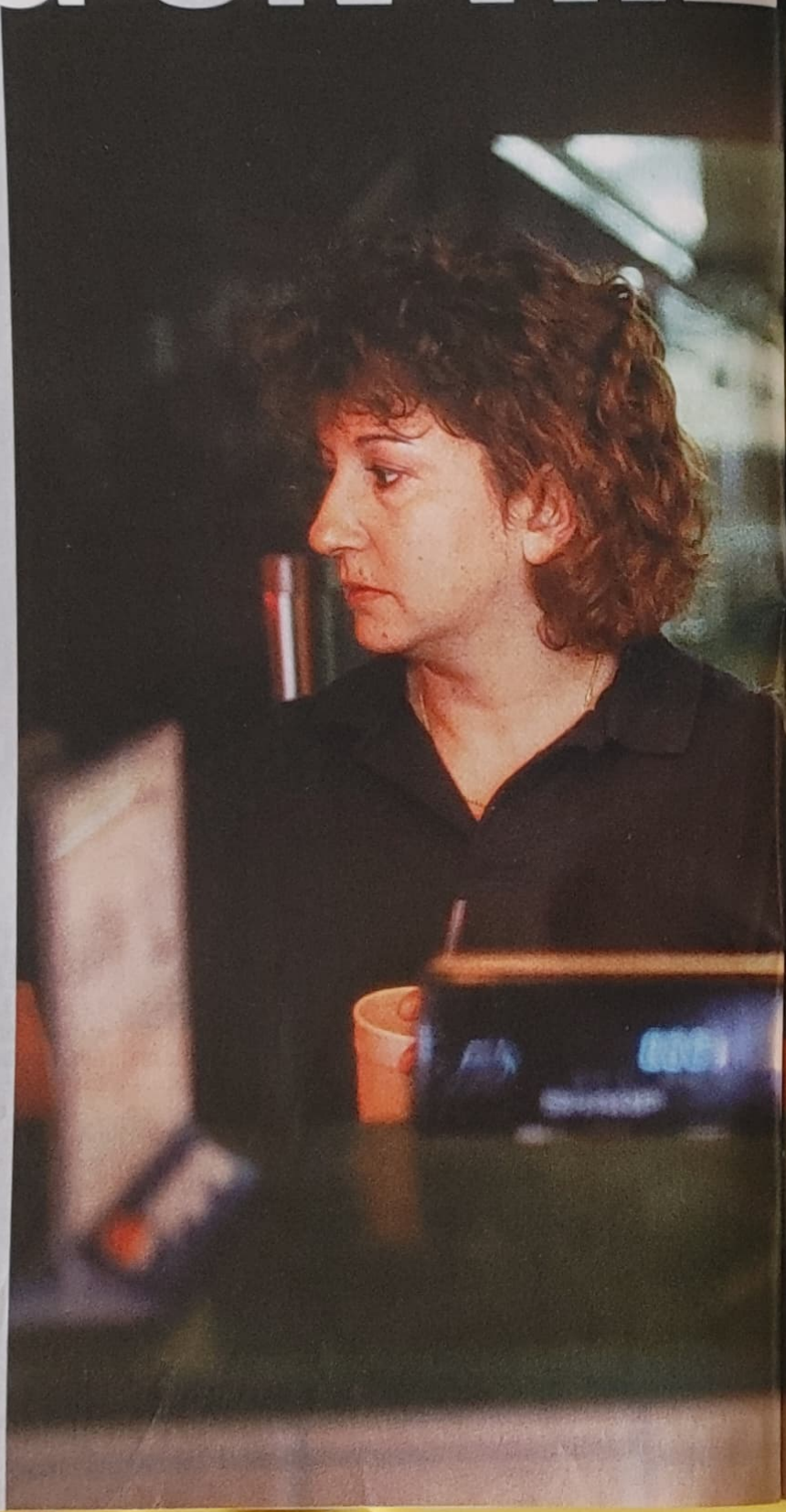
LIVING ON THE

BY SUSAN BRINK

Christine Young has taken leftover antibiotics to fight what she thought might have been a bronchial infection. "I know that's bad, but I had swollen glands. I had to do something," she says. Her husband, Rickie, stretched out the medication he had for his severe heartburn, a condition once diagnosed as gastroesophageal reflux disease, by taking less than the prescribed dose. They lost their health insurance about a year ago when Rickie was laid off from his job as a chef. They're struggling through their first year as small-business owners—Nick's Original Philly Cheesesteaks in Stockbridge, Ga. They can't afford health insurance, their stash of prescription medication is gone, and every time one of them coughs or burps, they can only wonder if it's a minor bug or a major ax about to fall. "I feel like I just don't have a safety net under me," says Christine.

They don't. The Youngs are among the 41.2 million people in America who have no health insurance. New figures from the Census Bureau show that the numbers, up by 1.4 million between 2000 and 2001, are rising again after a brief dip at the end of the economically fat and sassy 1990s. And while the bulk of those without insurance are the working poor, more than 13 million uninsured people live in a household with income of at least $50,000 a year.

Ripple effects make the numbers even worse. The Institute of Medicine recently



CHRISTINE YOUNG. Like many small-business owners, she and her husband, Rickie, scrimp on health.

PHOTOGRAPHY BY SCOTT GOLDSMITH FOR *USN&WR*

EDGE

The uninsured used to exist on the margins of society. Now they're most likely next door

MARIANNE HARTMAN. She is getting divorced and faces losing her healthcare coverage.

released a report showing that 58 million people are either uninsured or live with a family member who is uninsured. And when one family member lacks access to healthcare, it affects the stability of the entire household.

When family budgets are tight, it's usually the breadwinner who gets covered. "Families try to make a calculation. They basically place a bet. Typically they get coverage for the wage earner. It's like playing the lottery," says George Eads, vice president of Charles River Associates and a member of the Institute of Medicine's committee on the consequences of uninsurance. If someone else in the family gets seriously ill, they all lose the gamble.

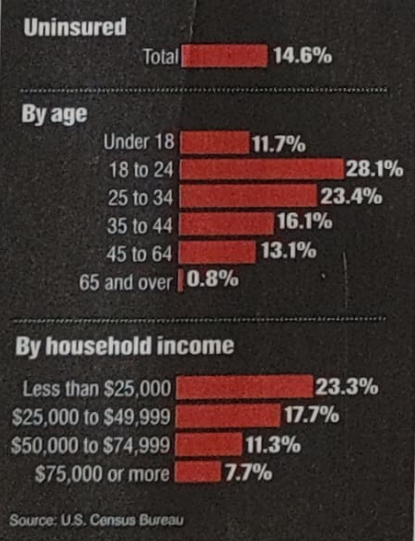
While the Youngs are uninsured, their two children are covered through a federally funded state program that provides low-cost policies for the children of the working poor. Enrollment in such programs, which began in 1997, has been slow, and strapped state budgets threaten their expansion. About 5 million of the nation's 8 million uninsured children who qualify for state or federally funded health insurance programs are not enrolled.

Too late. The Georgia couple are typical in how they cope with their own health needs. A study of how people manage when they lack insurance shows that many borrow drugs, take watered-down doses of the drugs they get, and use herbal or over-the-counter remedies. They guess what's wrong with them, then try to treat it. They feel pain and tough it out. They forgo preventive care like mammograms, Pap tests, and colorectal screenings. Their illnesses get diagnosed later, at more advanced stages. Uninsured women with breast cancer, for example, have a 30 percent to 50 percent higher risk of dying than insured women.

USN&WR

Risky behavior

A surprising number of young and affluent people are going without health insurance.



Source: U.S. Census Bureau

Going uncovered takes both an emotional toll and a physical toll. People fret and worry and put off care until they get so sick they must do something. Then they go to the local emergency room—the highest-cost setting for basic care. Despite their flailing efforts, the uninsured get sicker and die younger than those with health insurance.

Most families without insurance—about 90 percent—have breadwinners who work at least part time. Seventy-five percent of them have full-time breadwinners. Many patch together an existence with multiple part-time jobs, none of which provide benefits. Francisco García, 37, is a janitor from the Dominican Republic who works half a day, five days a week, cleaning offices in the building of the Massachusetts Department of Transportation. "I would like to work full time, but the contractor says it is not available," says García. His wife cleans houses part time, and together they earn about $340 a week before taxes. It is not enough to bring their two children to the United States. García speaks of his concerns through an interpreter: "I want to have my children. I have the hope of being together one day, being able to get a full-time job and health benefits. Also, I am afraid. What if I have to go one day to the emergency room? God help us, what would we do? Would we be left to die?"

The Garcías, at the low end of the economic spectrum, represent the majority of the uninsured. But what's surprising in the census statistics is the number of middle- and upper-middle-class families without insurance. Eleven percent of people living in households earning $50,000 to $74,999 annually are uninsured. And the same is true of nearly 8 percent, or 6.6 million people, in households earning more than $75,000 a year. "That's probably the dot coms," says Stuart Altman, professor of health policy at Brandeis University. "My sense is that this economic downturn is different in that it really hit a substantial number of high-income people. The middle class is more threatened. The uninsured are becoming *us* rather than *them*."

A whole new demographic category of people is getting nervous. With minor downward fluctuations in 1999 and 2000, the number of Americans without health insurance has been rising for more than a decade. The new concern is

GIVING SOME BACK

It's a start: Retired doctors are volunteering to treat the uninsured

LOOKING FOR TROUBLE. Physician Robert Bhokat works a couple of days a week at Volunteers in Medicine in Hilton Head, S.C.

BY SUSAN BRINK
PHOTOGRAPHY BY RICK RICKMAN
MATRIX FOR *USN&WR*

The woman, a housekeeper by day, wore her Sunday finest for her appointment at the Volunteers in Medicine Clinic in Hilton Head, S.C. She set her straw hat at a jaunty angle, smoothed her best dress, and teetered on her slightly worn high heels. She was the clinic's first patient, and in 1994, at the age of 61, she made her first visit ever to a doctor's office.

Jack McConnell, a retired physician who started the clinic, examined her and saw that she had dangerously high blood pressure and severe diabetes. Her previously undiagnosed conditions had left her with failing eyesight, kidney problems, and other symptoms that, untreated, would have put her on a path to an early grave. She and her husband, a vegetable farmer, had scrimped and sacrificed to send two daughters to college, but they could never afford health insurance.

Catching a ride. They were just the kind of family that McConnell knew, from his habit of picking up local walkers, needed help. "I stop and give people in town a ride when I see them walking. Then, for lack of something better to do, I ask them where they get their healthcare. The first eight people that I picked up said they didn't get any," McConnell says. "Their only source of healthcare was the emergency room, and they went there reluctantly."

McConnell looked around Hilton Head. He saw a lot of wealthy retired people, including physicians, who, like him, had time on their hands. And he saw their neighbors—working people who provided the town with service but had no health insurance. "I had planned to play golf, eat in good restaurants, and travel," he says. But he got restless, and he missed practicing medicine. So, it turned out, did a lot of other doctors in town. It made sense, McConnell thought, for the haves to get together to serve the have-nots.

His effort, called Volunteers in Medicine, has become a model of free clinics serving the needs of the working poor. Some 20 other VIM clinics have sprung up across the country, from

Newark, N.J., to New Orleans, the latter having a clinic that serves jazz and classical musicians. There are probably several hundred additional free clinics across the country, not connected to VIM. Each has its own eligibility rules, but all aim to cover working or recently unemployed people who cannot afford insurance and have no other access to care.

McConnell believes that retired physicians are an untapped resource large enough to provide care to the growing population of uninsured Americans. But other free-clinic directors are not as optimistic.

William Little, a retired physician who helped establish the Health Care Network Clinic in Racine, Wis., in 1990, is in the 12th year of volunteering for a clinic he hoped would be temporary. "This clinic isn't a solution. It's a patchwork of band-aids and stopgap measures to try to cover people," he says.

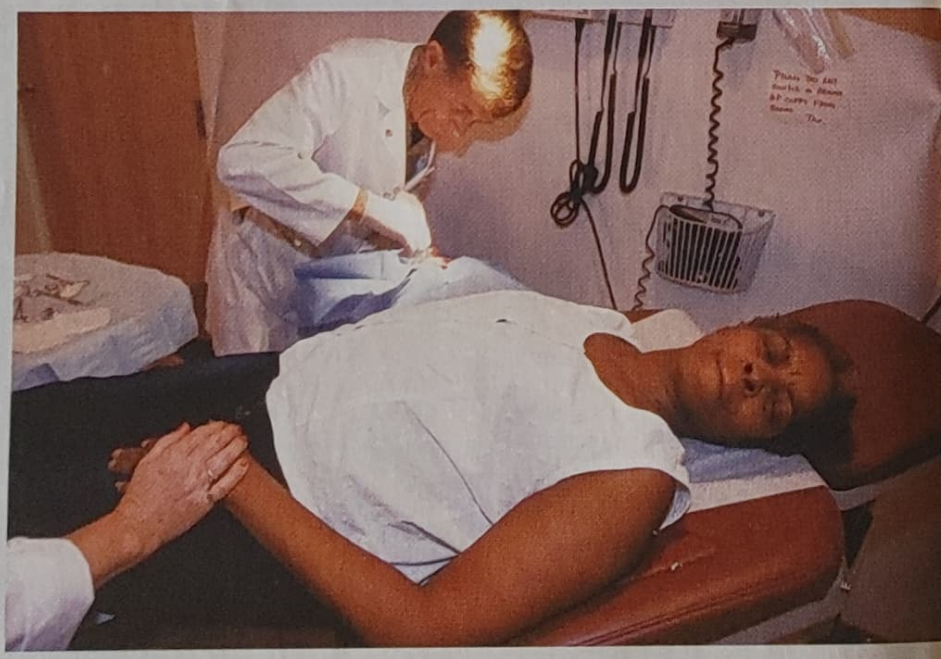
Staying home. When he faced retirement, Little considered going overseas to volunteer his services, but before he settled on which developing nation could best use his skills, he realized that people in his own town were getting sick, even dying, for lack of access to healthcare. So he stayed home to take care of them. The patients he sees have jobs—often more than one—in the fast-food business, the packaging industry, or in small businesses. "The latest group we're seeing are people who are classified as 'temporary' workers," he says.

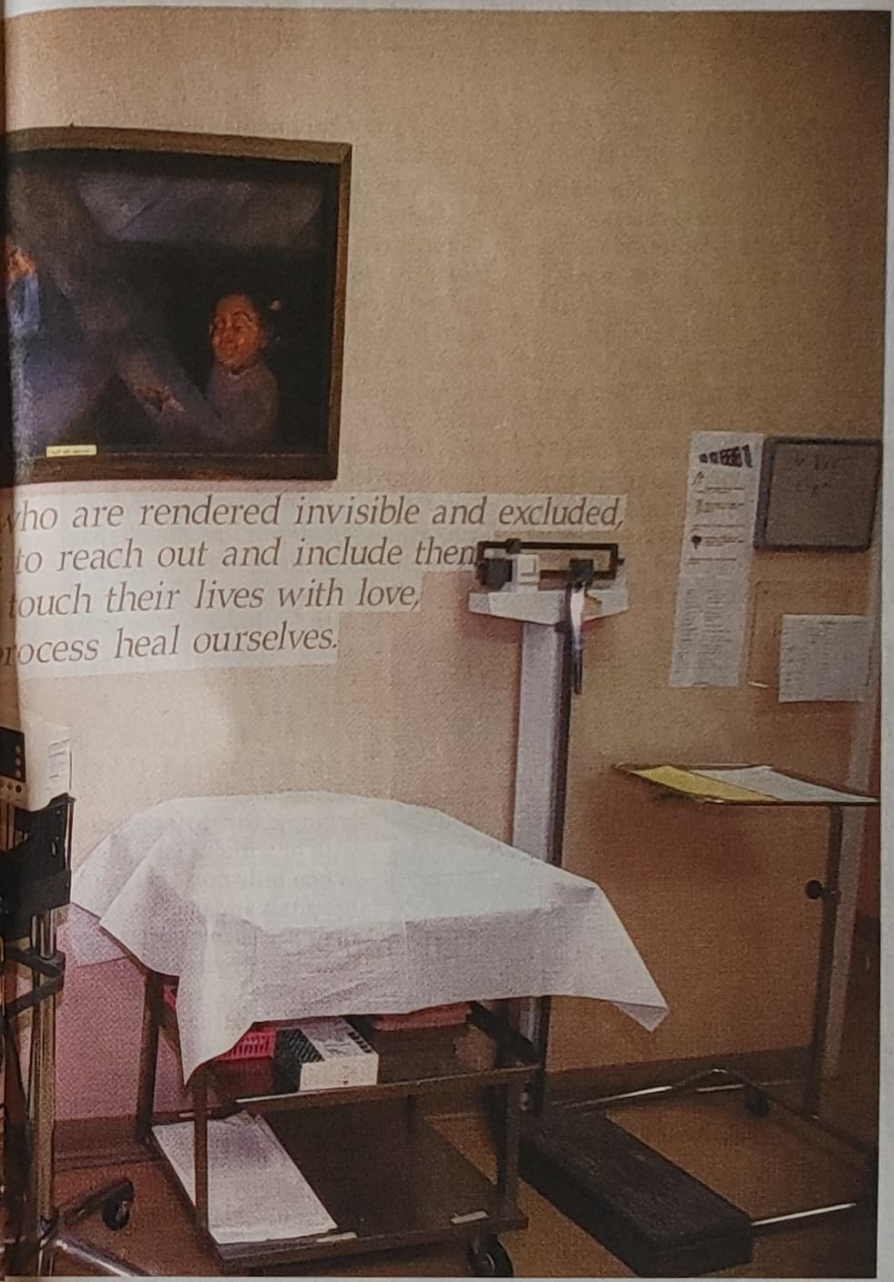
When Marianne Hartman, executive director of the Calcasieu Community Clinic in Lake Charles, La., opened a free clinic on the campus of McNeese State University, she instantly found potential patients. The maintenance men who lugged boxes and lifted furniture to help her move had full-time jobs, but most could not afford insurance.

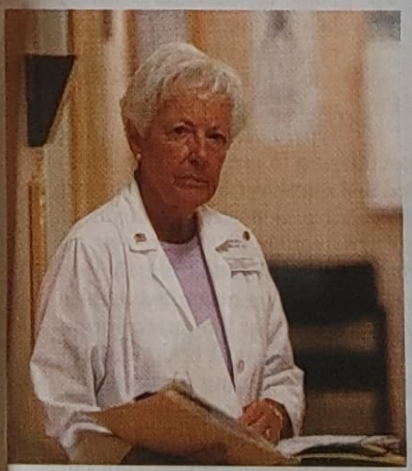
Free clinics for the uninsured usually care only for working people making less than 200 percent of what the government considers poverty income. For a family of four, that's $36,200 a year. Some also provide care for those recently unemployed.

The chief concern for doctors volunteering is malpractice coverage, says McConnell. In some cases, local hospitals take on the malpractice liability for the clinic. In Wisconsin, the state Legislature passed a law providing malpractice insurance for volunteer doctors in free clinics. Other states have similar good-Samaritan laws.

Prescription drug coverage is also







CARING—AND FREE. Surgeon David Nelson and nurse Barbara Brady at the Volunteers in Medicine clinic in Hilton Head, S.C.

cobbled together in a variety of ways. The clinics dispense free samples from the drug industry, tap into pharmaceutical programs that provide some drugs for the poor, or write prescriptions for low-cost or generic alternatives to what might be a more expensive (sometimes more desirable) drug.

McConnell's first patient has gotten her blood pressure under control and received free eyeglasses. Her diabetes symptoms have stabilized. She recently visited the clinic with a gift, generous for her circumstances. "She gave us a check for $50," says McConnell. Retelling the story brought tears to his eyes.

The clinic's first patient is no longer uninsured. She has survived long enough to qualify for coverage under Medicare.

There are 41.2 million to take her place.

not so much that a million-plus additional people are uninsured. It is the growing realization that a sudden loss of coverage could happen to anyone. A survey last spring by National Public Radio, the Kaiser Foundation, and the Kennedy School of Government asked 1,052 people with health insurance about their concerns. It found that 28 percent are very worried that their coverage will become so expensive they will no longer be able to afford it; 22 percent are very worried that their benefits will be cut back substantially; and 18 percent are very worried that they will lose their benefits altogether. Even those who don't believe it will bear on their own lives still think about it. "There is a concern for the problem, even when people themselves are not directly affected by it," says Robert Blendon, professor of health policy at Harvard and codirector of the survey.

Sickening trends. People may be right to worry. While economic forecasts don't always line up with insurance coverage trends, one 1999 study calculated that for each half-percentage-point increase in the unemployment rate, an estimated 1 million people lose health insurance coverage, according to an analysis by the National Institute for Health Care Management Foundation. Economic theory also predicts for every 1-percentage-point increase in the cost of health insurance, 0.1 percent of workers and their dependents lose coverage. It doesn't bode well that both unemployment and insurance premiums are going up.

People feel they are only a pink slip away from being uninsured. "I think that the field has been leveled as people get laid off and turn to contract work and consulting work and freelance work. It puts a different face on who is uninsured," said Nancy Vuckovic, who has studied the uninsured for the Kaiser Permanente Center for Health Research.

Nancy Potter has become starkly realistic about her own vulnerability since she had to make the heart-wrenching decision in the fall of 2000 to cancel health insurance coverage for her 11 employees at the New Glarus (Wis.) Bakery. "I'm just a disease away from being uninsured," she says. The insurer from whom she purchased coverage for her workers pulled out of the area, leaving Potter to scramble for another carrier. "People don't really want to insure small groups. One big case skews the whole thing," Potter says. "Nobody wanted me because one of my employees had cancer." The best replacement policy she could come up with for her bakers and cake decorators

would have meant an additional $50,000 annual expenditure—more than she could afford from the profits of hearth breads and holiday stollen.

Rising unemployment coupled with escalating premiums could spell disaster. "Those factors are contributing to what could be called a perfect storm when it comes to uninsured Americans," says Ron Pollack, executive director of Families USA, an advocacy group for the uninsured. Last year, the group estimated that 1 million people lost health insurance in the 3½ months after the September 11 terrorist attacks.

But it's not just job loss that can make people vulnerable. Some common life transitions can leave people uncovered. "Even those of us with wonderful, employment-based coverage suddenly find that when our children get to the age of 19, they're no longer covered," says Arthur Kellermann, chair of the department of emergency medicine at Emory University School of Medicine and of the Institute of Medicine committee on the consequences of uninsurance. Death or retirement of a spouse also can mean loss of insurance. So can divorce.

Marianne Hartman is getting divorced after 22 years of coverage under her husband's health policy. "I was always on his insurance. I stayed home with my children, and when I went back to work, the job didn't have insurance," says Hartman, executive director of the Calcasieu Community Clinic in Lake Charles, La., which, ironically, provides free care to working people who cannot afford insurance.

For many, premium increases eventually price them out of the market. Helen Dupuis, 57, and her husband, Luther, 60, are crossing their fingers that accident or disease doesn't strike until they safely reach the Medicare years—65 and older. They owned a service station in Lake Charles, La., for 17 years, and they always bought their own insurance. The premiums kept rising until they reached $650 a month. Even then, their policy had a rider excluding coverage for high blood pressure or heart-related conditions, because Luther had once suffered a small stroke. "The cost was so high, and it didn't pay for anything we needed," says Helen Dupuis. Three years ago, they decided the policy was unaffordable and have been uninsured since.

HELEN AND LUTHER DUPUIS. They're taking a gamble until they're eligible for Medicare.

Excluded. "People from 50 to 65 are the ones in dire trouble in this country," says Uwe Reinhardt, Princeton health economist. They could lose a job and have trouble finding another. If they try to get individual coverage, it's likely they would have some condition that will be excluded, like high blood pressure, high levels of cholesterol, or a history of treatment for depression or cancer. "It could happen in the more unstable labor market that you could be in and out of insurance coverage, and if you get sick, you could be caught with your pants down," says Reinhardt.

Uninsured people typically get fewer preventive services, like mammograms or blood pressure checks. Problems that might have been treated early grow, and people end up needing expensive care through emergency rooms or hospital wards. They are billed at the highest rates, because they don't get the benefit of prices negotiated by an insurance company. Often, their bills go unpaid, leaving hospitals and doctors holding the bag and forcing the entire healthcare system to raise its prices to cover the unpaid care. In 1999, uncompensated care delivered by community hospitals totaled $20.7 billion.

That form of charity care fuels the problem. Hospitals are legally and ethically bound to care for people, with or without insurance. When bills don't get paid, hospitals and doctors raise their prices for paying customers—largely insurance companies. To maintain profits, insurance companies hike their premiums. Employment-based premiums have gone up an average of 12.7 percent this year in part because of rising healthcare costs.

The hikes land in the laps of employers. "The first thing companies do is cut back or eliminate retiree healthcare," says the Institute of Medicine's Eads. Indeed, a study released last month by Watson Wyatt Worldwide, a consulting firm specializing in employee benefits, projected that employer financial support of retiree medical benefits will shrink to less than 10 percent by 2031 from over 50 percent today. "The second thing they do is increase the copayments or deductibles or stop covering things like prescription drugs or increase the cost of dependent coverage," Eads says. Some strapped employers, like Potter, are forced to drop the benefit altogether, adding to the number of uninsured. The cycle, says Altman of Brandeis, "has both moral costs and real financial costs." And it continues whenever an uninsured person needs healthcare and cannot pay the medical bill.

"It's a very gradual death spiral," says Reinhardt. ●

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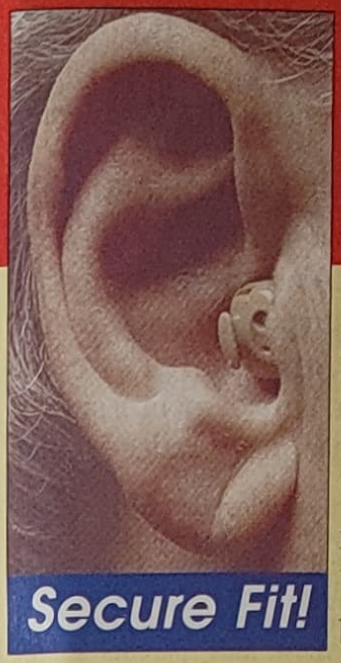

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BY DR. BERNADINE HEALY

Out of the insurance maze

The number of Americans without any medical insurance whatsoever—some 40 million by the latest reckoning—has morphed from an unyielding statistic into a symbol of failure in a prosperous and charitable nation. But as a people we have choices. We can simply accept this unhappy statistic and feel guilty about it. Or we can dismember the surprisingly successful private-public tapestry that provides decent healthcare to 85 percent of Americans. Or we can let the major determinants of uninsurance—age, lack of information, and employment issues—drive us to some practical solutions. We don't have to reinvent the entire enterprise. Indeed, most of the solutions are already out there, begging to be applied.

Let's start by deconstructing that statistic of 40 million. When we think of the uninsured, we don't tend to picture a robust 20-something. Yet it is precisely that group—those from 18 to 29—who are most likely to go without coverage. Roughly 30 percent of 20-somethings are uninsured, compared with 15 percent for the general population. We think of this generation as highly educated, consumer-oriented, wired techies, yet 12 million of them are among what I call the "medical homeless." That's in part because, in their enviable healthiness, they see little reason to pay for something they can't imagine using. Furthermore, many are just now taking flight from the nest of home or the cushion of college and seem willing to gamble with a few months of lapsed insurance before and between jobs.

A symbol of failure in a charitable nation

But even the fittest 20-something can get hit by a truck—or by a devastating illness. The young and healthy need an incentive to fend off economic catastrophe, and the new Health Reimbursement Arrangements (HRAs) are a natural. With this increasingly popular private-sector innovation, employers offer an alternative to full health coverage at roughly the same cost: The employee gets catastrophic coverage plus an annual contribution to a personal online healthcare account, which the employee manages. Unused dollars accumulate tax free for their own or their family's future healthcare needs—and in some cases follow the employees when they change jobs. Few people know that HRAs exist, but since the IRS just blessed them in June, they are likely to take off. Consumers need to be wired and computer literate—but we're talking about the Y generation.

Volunteers in paperwork. Another major contributor to our healthcare crisis is simple lack of information. That is the only explanation for the roughly 5 million uninsured children who are eligible right now for coverage under the State Children's Health Insurance Program, a federal program that helps states insure low-income children. Most of these kids' parents simply haven't signed them up, either because they are unaware of it or because they're intimidated by the bureaucracy. What we need are volunteers—like the medical volunteers described in the story that begins on Page 61—who can mentor such families through the bureaucratic maze of people and paper. That grand humanitarian effort could reduce the uninsured to 35 million almost overnight.

Finally, we cannot begin to address the insurance crisis without looking at its intricate link to employment. Most people get health insurance from their employer. That's the good news. The bad news is that he that giveth can taketh away. For the laid off, temporarily unemployed, self-employed, and employed without insurance, finding health coverage is a bad dream. Big health insurance bills are simply out of reach for too many when there is no employer underwriting or sharing the cost.

Cash vouchers or tax credits for those with modest incomes would funnel dollars for insurance directly to their families. In some cases, the IRS would be sending a check rather than receiving one. But these families also need access to the kinds of coverage offered to large employment groups. Opening the large and diverse federal or state employment plans to them makes an enormous amount of sense. The largest employer of all—the federal government—has already used its clout to negotiate more-affordable premiums, better choices of plans, and quality coverage.

For the majority of our citizens, it is human circumstance that places them in the precarious group of 40 million uninsured. Responding to the distinct human needs of this diverse and revolving group—as if we were they—may not be as difficult or as costly as it sometimes seems. ●

ILLUSTRATION BY RICHARD ULLASH FOR USN&WR

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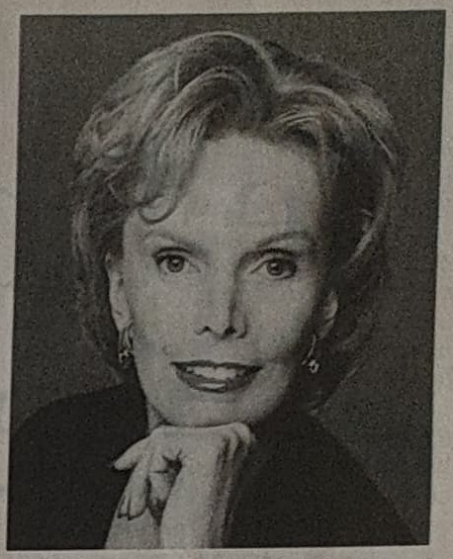
by Leil Lowndes



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Internationally acclaimed communications expert Leil Lowndes is a best-selling author and speaker who also coaches private clients, including top Fortune 500 executives.

PORTRAIT: KEVIN MCGOWAN

Feathered Friends

BY NELL BOYCE

The crow hunched on a wire fence, a sickly crust covering her eyes. She had to be feeling pretty awful to sit motionless in broad daylight, a target for predatory owls or hawks, ornithologist Kevin McGowan observed. Just then another crow perched beside her with meat in his beak. Nudging the sick one, he urged her to eat.

Compassion isn't part of the popular image of crows. Poets call a group of crows not a "flock" but a "murder," and a beady stare from these menacing-looking creatures can make most people feel like an extra in Hitchcock's thriller *The Birds*. But McGowan hopes to win them some affection. He has studied crows living near the Cornell Lab of Ornithology in Ithaca, N.Y., for 14 years, unraveling their rich social lives. He's found, for example, that young crows display family loyalty that puts many young humans to shame, helping to raise their younger siblings and returning to visit their aging parents.

He also thinks crows deserve a little sympathy. This year, for the first time, his crows have gotten hit by West Nile, the virus that—along with its human toll—has killed countless thousands of their brethren over the past three years. West Nile, he says, could put the birds' entire social fabric at risk. McGowan closely follows more than 35 crow families, giving him an unparalleled opportunity to trace the impact of the disease.

McGowan is one of only a handful of ornithologists studying crows, and his research in Ithaca has given scientists a vivid picture of how crow communities work. He tries to educate the public, too, with a Web site chock full of crow facts and trivia (*birds.cornell.edu/crows/crowinfo.htm*). His own enthusiasm goes back to his childhood in Springfield, Ohio, where crows gather in winter roosts of up to 150,000. "I remember as a kid watching crows going to roost, and it reminded me of the flying monkeys in *The Wizard of Oz*." In the mid-1980s, while he was finishing a Ph.D. on the Florida Scrub-Jay, a crow flying into a palm tree caught his eye, and he decided to watch crows for a day. He got still more interested when he learned that for scientists, the big black birds were essentially a blank.

Family ties. By now, researchers know crows are exceptional problem-solvers. A tropical New Caledonian crow recently fashioned a hook from a piece of wire to get at some hidden food, and Carolee Caffrey, a crow researcher now at the College of New Jersey, once saw a wild American crow shape a piece of wood to probe a spider's hole. As McGowan has helped to show, crows also forge eerily human social ties. They mate for life—20 years or more—and raise two or three young each year, usually with help from previous offspring, which stay at home for a few years. And even though these uniformly black birds appear identical to humans, family members somehow recognize each other: Relatives returning for a "visit" don't get driven off the family's territory.

Crows also socialize in bigger groups. Hundreds or thousands roost together in the fall and winter, spending all night perched in a tree. Photos McGowan has taken with night-vision cameras show the glow of their open eyes, so he knows they

BIO

"Most of the crows in Ithaca hate my guts."

BORN May 18, 1956

FAMILY Married, with a son and a daughter

EDUCATION B.S. and M.S. in zoology, Ohio State University; Ph.D. in biology, University of South Florida

PET PEEVE Hunters who see crows as pests and kill them by the hundreds: "It's more like vandalism than hunting."

JAY CLENDENIN FOR USN&WR

BIRD-WATCHER. Kevin McGowan with a stuffed crow. He tags live ones as hatchlings, so he can track their life histories.

aren't sleeping. But he's still not sure why they gather. Young crows may be checking out potential mates, he speculates.

Each spring, McGowan climbs 100-foot white pines around Ithaca to reach the nests of known crow families and find new ones. He pins large plastic tags on the wings of newly hatched birds, which he will follow for the rest of their lives. This year he has been taking frequent censuses, driving around town with his windows down so he can hear the caws of the birds, which by now have abandoned their nests. He tracks them to school grounds and golf courses—and sometimes to the backyards of bemused residents, who have gotten used to "the crow guy" asking for permission to camp out and watch the birds. "With West Nile, we've been trying to make sure who's home," he says. A glimpse of a bird's tag through a telescope is enough to remind him of its history.

Just outside a grade school, McGowan meets a friend, a hefty bird he calls P.K., strutting with six family members. P.K., whom McGowan has been following for 12 years, sidles toward him, probably hoping for the handful of peanuts the scientist usually throws him. "I finally decided I was going to make some crows like me," says McGowan. Because he intrudes on their nests, he's often greeted around town by caws of horror. "Most of the crows in Ithaca hate my guts."

Caws for concern. For him, though, it's almost as if West Nile were killing old friends. So far, seven dead birds from his crow families have tested positive for the virus. With Anne Clark at nearby SUNY-Binghamton, he now plans to start watching sick birds to see how other crows react. Lab studies suggest West Nile can spread directly from bird to bird, and McGowan fears that crows' benevolent caring for the sick might prove deadly. "The potential to have the family go down as a group is fairly real." Even if relatives don't actually touch a sick bird, they could be at risk. A tiny fly that lives under crow feathers was recently found to carry the virus, and it will leap off dead birds to find a new home.

McGowan also wonders how the epidemic will affect crow society. If many new territories open up suddenly as crows die, for example, will young crows strike out on their own instead of staying to help their parents? Caffrey, whose tagged birds in Oklahoma have just started dying, hopes to pursue similar questions.

New, unpublished data from birdwatchers show that crow sightings in New York State have dropped since the virus struck, reversing a trend of increasing sightings in recent years. But McGowan doesn't think the species is doomed. Over the past few weeks, he has been barraged with E-mails from people who note that crows no longer caw outside their windows and fear that the birds are going extinct. Not necessarily, he says. "This is the quietest time of the year." Crow noise peaks in the spring and late summer, when families defend their territories against loners looking for mates. The ruckus subsides in September, then resumes in late fall when roosts gather.

Still, he's pleased at this outpouring of concern for a bird that so many despise. "Crows are polarizing. They're like Ronald Reagan or Clinton," he says. "People have very strong opinions one way or another, and you just can't change them." ●

FROM TOP: LYNN JOHNSON—AURORA; CDC

The code of a killer

New DNA sequences could reveal malaria's Achilles heel

BY KATHERINE HOBSON

A MOSQUITO'S TOLL. A malaria sufferer in Madagascar is treated with massage.

Until West Nile virus came along, most Americans thought of mosquitoes as little more than an itchy nuisance. Things are very different in developing countries, where the insects infect more than 700 million people every year with often fatal diseases. One of the most infamous: malaria, which kills some 3 million people annually—mostly young children.

Last week, scientists announced they have opened a whole new book on how to fight back. Scores of researchers around the world have worked together to decipher the entire DNA sequence of both the most lethal malaria parasite and the mosquito species that is its main carrier. Together, the genomes of the mosquito, published in *Science*, and the parasite, published in *Nature*, amount to malaria's secret code, a guide to its stratagems and weak points. "The whole blueprint is in front of us," says Frank Collins, a biologist at the University of Notre Dame who took part in the mosquito project.

Both *Anopheles gambiae* (the mosquito) and *Plasmodium falciparum* (the parasite) are wily enemies. Scientists have long wondered how the insect seeks out its human prey, why it doesn't get sick itself from the deadly parasite in its belly, and how it becomes immune to insecticides like DDT. They've also wanted to know how the parasite evades the human immune system and shrugs off once effective drugs like chloroquine. They already have some answers, but the genomes, containing the genes for all the working parts of the parasite and its carrier, will reveal much more—and point to new countermeasures.

Solutions. For example, *A. gambiae* prefers human blood to that of any other species. Scientists have long suspected the insect must have finely honed smell and taste receptors to find its favorite meal. Now that researchers can pinpoint the genes for those senses, they might be able to develop better repellents that would block the bugs' taste for humans. Or they might target the proteins that help mosquitoes develop resistance to pesticides. They could even alter the mosquito genes that make the insect a good carrier of the disease, creating malaria-resistant mosquitoes that could be released into the wild.

Everyone acknowledges that it will take years of work to forge such weapons from the raw data of the genomes—millions of letters of code, spelling out thousands of genes. "The sequence itself is not going to solve the problem," says parasite sequencer Malcolm Gardner of the Institute for Genomic Research in Rockville, Md. "In some ways, it's the easiest part of the process." ●

Autumn's crimson tide

Turns out that the red is nature's sunblock

BY CHARLES W. PETIT

As fall's foliage wave of crimson and gold moves south into New England, Boston-area resident Michele "Missy" Holbrook can't wait to get out to marvel at this splendid display of nature's . . . sunscreen. Holbrook, a botanist at Harvard University, views the show that way because she's among the scientists whose recent work may have solved the puzzle of why trees turn red in autumn.

An expert in how plants transport water, she says that a few years ago, "I was shocked to learn nobody had really studied why the reds appear." Botanists had long known that the more common yellow of soon-to-drop leaves is always there. In summer it is masked by green chlorophyll, but it comes into view in fall, when the tree breaks down chlorophyll to resorb such nutrients as nitrogen. Scientists did know that the reds—pigments called anthocyanins—are made fresh in the fall. But no one knew why.

So Holbrook and colleagues made some measurements on a typical red-turning species, a dogwood variety. They learned that the anthocyanin pigments screen out the blue light that normally drives photosynthesis in the chlorophyll-containing layers of the leaf, turning off the reaction. Like unplugging an electric motor before taking it apart, this eases the tree's task of recycling the goodies from its doomed leaves. ●

WALT SENG—NONSTOCK

Everything but inky fingers

Digital print mimics the real thing—and tries to improve on it

BY JANET RAE-DUPREE

NEWS YOU CAN USE

"I don't like paper," grumps Tony Perry, a software systems architect in Orlando. "Stacks and stacks and stacks of magazines do nothing for me." But Perry recently found a way to start clearing his desk: digital magazine subscriptions. Now when a new issue of *MIT's Technology Review* or *eWeek* comes off the presses, Perry simply clicks a button and downloads it—headlines, graphics, fancy layouts, ads, even those irritating pull-out subscription cards—to read later, on his laptop. "It's like I'm carrying an invisible stack of magazines with me onto the plane."

For the same price as a print subscription, and sometimes for less, tens of thousands of magazine and newspaper readers are happily pointing and clicking their way out from under reams of paper. Two services launched within the past year—Zinio Systems, which carries mostly magazines, and NewsStand, which focuses on major U.S. and foreign newspapers—let subscribers download periodicals that painstakingly replicate the "dead tree" reading experience, and even try to improve on it.

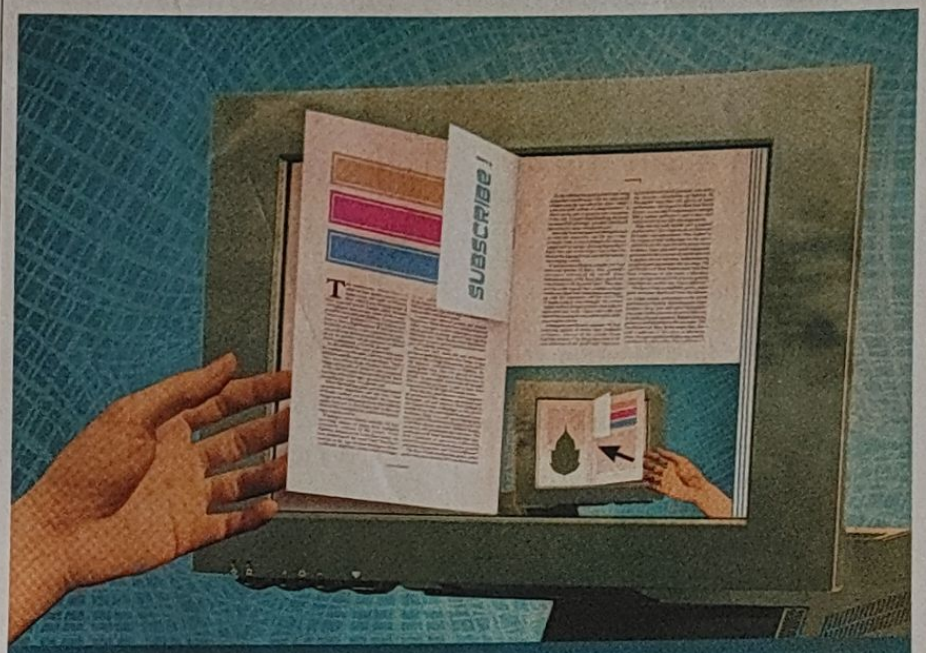
With the click of a mouse, newspaper readers can flip to an article's continuation, without having to fuss with unwieldy broadsheet paper. If you want to hunt down an article but can't remember which issue or even which publication it was in, a simple keyword search conjures it up from a digital archive. And if you are logged on to the Internet while reading, related Web sites and E-mail addresses are just a click away. As with print, you can also highlight text, scribble notes to yourself, and pass entire issues along to a friend.

Page-turner. "Readers want to feel that they're actually reading a magazine," says Mike Edelhart, president and CEO of Zinio. "We even show the page turning as they browse along." The experience could get even more lifelike once subscribers can read their magazines on a Tablet PC. These svelte, notepad-size computers, to be introduced next month, can swap screen orientations from landscape to portrait to match the dimensions of a standard magazine page.

Still, there are limits to any medium that has to be displayed on a computer screen. You can't stuff a computer into your back pocket, toss it on your nightstand, or read it in bright sunlight. And while a screen easily accommodates a magazine page, browsing around a broadsheet newspaper is another story. When you first call up a paper on NewsStand's reader, it displays a full-page summary version in which only larger headlines are legible. Zooming in requires repeated clicks on a small magnifying glass at the top of the screen.

As with most things tech, the faster your Internet connection, the more enjoyable the experience. Magazine download sizes tend to run from 5 megabytes to 12 megabytes. A Sunday paper can clock in at twice that or more—and take an hour to transmit over a dial-up connection. The inconvenience can be minimized, NewsStand says, by downloading the next day's paper while you sleep at night or loading one section of the paper while you read another. But broadband users usually can zip through an entire download in minutes.

That's why Zinio started with technical publications aimed at engineers and scientists, who would read the periodicals at work, over a high-speed Internet connection. It has also lured international readers, who were paying roughly double the cost of a domestic subscription to cover extra mailing charges. Digital distribution lets them get their issues as fast and as cheaply as domestic subscribers. "More than half of our new [Zinio] subscribers are overseas," says R. Bruce Journey, president and chief executive officer of *Technology Review*.



"It's like I'm carrying an invisible stack of magazines with me onto the plane."

TONY PERRY, *digital-magazine subscriber*

These days, though, Zinio is looking more like a regular magazine rack, with 26 offerings that include *National Geographic Traveler*. NewsStand, for its part, now posts 27 newspapers every day, right down to the classified ads, including the *New York Times*, the *Boston Globe*, and the *Tampa Tribune*. Nine magazines have also come on board, including three publications from *Consumer Reports*. At that rate, expect to see more people flopped on the couch with laptops on their bellies, flipping pages with a click. ●

ILLUSTRATION BY PAUL WATSON FOR USN&WR

BY MORTIMER B. ZUCKERMAN • EDITOR-IN-CHIEF

And pigs will fly

You know the feeling you get when your darned checkbook just won't seem to balance. Multiply by a few zillions, and you have some idea of the way Washington is running things these days. It's not just a nightmare; it's that old familiar nightmare we thought we had shaken off years ago: A ballooning federal deficit and its evil twin, a widening trade gap, threaten the U.S. dollar, our financial markets, and our monetary policy. For the first time since 1997, our budget this year will show a deficit probably in excess of $160 billion, in sharp contrast with a $127 billion surplus last year. This dizzying swing—$287 billion—is the largest on record.

Why the big change? The drop in tax revenue this year, of over $130 billion, is the sharpest in 56 years, much of it due to layoffs, pay cuts, pay freezes, fewer exercised stock options, and a fall in capital gains. What's more, the reduction of tax rates for upper-income households enacted last year means that when the economy does finally pick up steam, Washington won't see a commensurate pickup in tax revenue.

The projected 10-year federal budget surplus had already shrunk by nearly 95 percent, from $5.6 trillion to $336 billion. But even that number is wildly overoptimistic. It doesn't include the costs of a prescription drug program for seniors, estimated to cost at least $300 billion over the next decade. It also doesn't include appropriate costs for military and homeland defense spending. And it assumes that discretionary spending will rise at the rate of inflation, a pipe dream. If government spending continues to increase at its current rate of 8.5 percent, we will add an additional $2.9 trillion in debt over the next decade.

Spree. Think it won't happen? Just look at discretionary spending this year. It's up by almost 14 percent, the biggest government spending spree in a generation. In fact, for the first time in over 30 years, annually appropriated programs controlled by Congress and the president have grown faster than formula-driven entitlement programs like Social Security and Medicare. Only a third of the entire $91 billion increase in annually appropriated funds has been spent on homeland security and national defense; the rest goes for everything from highway construction to farm subsidies.

Government spending has gotten so bad that we have had to dip into Social Security and Medicare tax revenues to finance it—a habit we had broken for four years straight. Now instead of setting aside money for the certain cost of meeting the dramatic increases in retirement and health-care costs we face in the next decade, we're using it to fund current expenses.

Congress has not even passed the annual budget resolution, which traditionally sets caps for the 13 spending bills, giving pork-happy lawmakers the chance to spend billions on ad hoc additions to politically popular spending programs that typically accompany an election year.

Still more reckless is the double extravaganza perpetrated by the Senate on spending controls. Gone are discretionary spending caps. Gone is the stipulation that, short of commensurate spending and taxing offsets, there had to be a 60-vote majority for spending increases or tax cuts. Even Federal Reserve Chairman Alan Greenspan has failed to persuade the Senate solons to retain these essential pieces of self-discipline. The budget rules have been on the books since 1990 and helped push down discretionary spending from 10 percent of gross domestic product back then to 6.5 percent by 1998. Given the dissolute nature of this Congress, a return to fiscal discipline is as likely as seeing pigs fly—even allowing for those hefty federal subsidies for pig farmers.

> Washington has cast its hard-won budget discipline to the political winds, and there's no telling when we'll see its return.

Both parties are playing fast and loose with the numbers. Despite the partisan attacks on the Bush tax cuts, only a small minority of Democrats argue for delaying or rolling them back. And the Democrats aren't even pretending to scale back their own spending programs. Ditto the Republicans and *their* spending plans. The president himself has made only token gestures toward restraining out-of-control spending.

Neither party seems to have the political will to force the budget back into long-term balance, making the fiscal outlook for the next decade really grim. Instead, what we see is a competition between Democrats and Republicans over who can appropriate the most in their fervid hope to win the handful of tight races for Senate and House seats that might give one or the other control over the Congress.

The timing for all this, of course, couldn't be worse. Our fiscal outlook is deteriorating at the very moment we must begin preparing for rising claims on Social Security and Medicare funds by an aging baby boom generation. The consensus on the need for budget discipline was built painstakingly over two decades. It is more than passing sad that it evaporated in less than a year, and sadder still that we are unlikely to see its return for a long time to come. •

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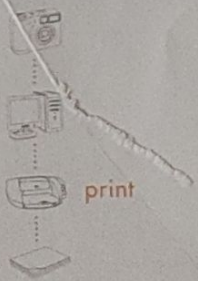

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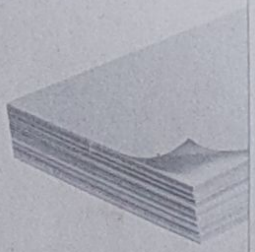

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